WINTER 1978 THREE DOLLARS 3

Policy Review

Human Rights and Diplomacy: Two Views
ERNEST W. LEFEVER
T. E. UTLEY

Toward A Broader Picture of the Budget Deficit
R. DAVID RANSON

Airline Deregulation: Getting From Here to There
ALFRED E. KAHN

Tuition Tax Credit Proposals: An Economic Analysis of the 1978 Packwood/Moynihan Bill
E. G. WEST

The Runner Stumbles: Carter's Foreign Policy in the Year One
KENNETH L. ADELMAN

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

The Heritage Foundation

The Heritage Foundation is a Washington-based, non-partisan public policy research institution which publishes a wide variety of research in various formats for the benefit of policymakers and the interested public, including *Policy Review*. The Chairman of the Board of Trustees is the Hon. Ben B. Blackburn and the President is Edwin J. Feulner, Jr.

The Foundation is classified as a Section 501 (c) (3) organization under the Internal Revenue Code of 1954. It is further classified as a "non-private" (i.e., "public") Foundation under Section 509 (a) (2) of the Code. Individuals, corporations, companies, associations, and foundations are eligible to support the work of the Foundation through tax-deductible gifts. Background material will be provided to substantiate tax-deductibility.

Policy Review

Editorial Board

Edwin J. Feulner, Jr.
Publisher

Robert L. Schuettinger
Editor

David I. Meiselman
Chairman, Editorial Board

Kingsley Amis
George F. Gilder
Stephen Haseler
Harold M. Hochman
Herman Kahn
Henry G. Manne
Allan H. Meltzer
Robert Moss
John O'Sullivan
Roger Pearson
William Schneider, Jr.
Gordon Tullock
Ernest van den Haag

The authors published in *Policy Review* have complete editorial freedom and so the views expressed are those of the authors themselves and do not necessarily reflect the views of the editorial board or of The Heritage Foundation, or of any institutions with which they may be associated.

Policy Review is published quarterly by The Heritage Foundation, 513 C St., N.E., Washington, D.C. 20002 (202/546-4400). Subscription rates are $12 for one year, $21 for two years and $30 for three years. Add $5 a year for foreign air speeded delivery. Introductory copies are available for $2.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

WINTER 1978 **Policy Review** **3**

Human Rights and Diplomacy: Two Views

The Trivialization of Human Rights
ERNEST W. LEFEVER 11

A Reappraisal of the Human Rights Doctrine
T. E. UTLEY 27

Toward A Broader Picture of the Budget Deficit
R. DAVID RANSON 35

Airline Deregulation: Getting From Here to There
ALFRED E. KAHN 55

Tuition Tax Credit Proposals: An Economic Analysis of the 1978 Packwood/Moynihan Bill
E. G. WEST 61

Food Stamps and the Spurious Rise in the Unemployment Rate Re-examined
RICHARD M. DEVENS 77
KENNETH W. CLARKSON & ROGER E. MEINERS

The Runner Stumbles: Carter's Foreign Policy in the Year One
KENNETH L. ADELMAN 89

Book Reviews by ORRIN G. HATCH, JEFFREY GAYNER, STEPHEN HASELER, and DOUGLAS J. FIETH 117

Policy Review is copyrighted 1978 by The Heritage Foundation. Requests for permission to reprint more than a few paragraphs of articles should be addressed to the editor.

Policy Review articles are regularly abstracted or indexed in *Human Resources Abstracts, International Political Science Abstracts, Public Affairs Information Service, Sage Public Administration Abstracts, Sage Urban Studies Abstracts, United Nations Current Bibliographical Information* and *Urban Affairs Abstracts*.

The International Standard Serial Number for *Policy Review* is ISSN: 0146-5945.

National distributor for newstands and bookstores: B. DeBoer, 188 High Street, Nutley, N.J. 07110 (Telephone: 201/667-9300).

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Inside Policy Review

ERNEST W. LEFEVER is the Director of the Ethics and Public Policy Center of Georgetown University. Formerly a Senior Fellow in Foreign Policy Studies at the Brookings Institution he received the B.D. and Ph.D. degrees from Yale University. Among the many books he has written or edited are: *Ethics and U.S. Foreign Policy, Ethics and World Politics, The Limits of Foreign Policy, Arms and Arms Control* and *TV and National Defense*. Dr. Lefever also contributes to a wide range of periodicals, including *The New York Times Magazine, The Wall Street Journal, Orbis* and others.

In *Policy Review*, Dr. Lefever begins by reminding us that "Human Rights are what politics is all about."

He detects, however, six interrelated flaws in the current Administration's campaign on human rights. (1) The totalitarian threat has been underestimated; the greatest threat to human liberty on this planet comes not from small authoritarian regimes but from the messianic totalitarian states. (2) It is not sufficiently realized that there is far more freedom of choice in authoritarian regimes than in totalitarian ones. It is unrealistic to put Chile in the same category as Cuba. (3) America is not all powerful and our ability to influence matters (especially internal matters) abroad is limited. (4) Domestic policy and foreign policy has been confused; U.S. foreign policy toward another state should be determined by the foreign policy of that state. (5) Reform intervention has its perils. We cannot hope to export human rights or respect for the rule of law; such concepts must grow naturally in the societies concerned. (6) Our foreign policy objectives have been distorted. Dr. Lefever argues that "Our foreign policy has vital but limited goals—national security and international peace—both of which have a great impact on human rights."

T. E. UTLEY is a senior editorial writer for *The Daily Telegraph* of London. A graduate of Cambridge University, he is the author of *Essays in Conservatism, What Laws May Cure* and other works.

In this article, Mr. Utley argues that current American and British foreign policy based on the proposition that the defense of human rights should be among its chief objects is "both false and dangerous." We have weakened our chief argument against Soviet expansion, namely that sovereign states ought not to interfere in each other's internal affairs, says Mr. Utley, since we "are actively engaged in meddling in the affairs of our enemies and preaching our own ideology to them." Furthermore, argues Mr. Utley, "human rights" are defined differently in various states at very different stages of development; even Western European states, at roughly the same stage of development, are presented with vast difficulties in interpreting "human rights." However noble the motives of those propounding human rights around the world, concludes Mr. Utley, this type of foreign policy is "liable to end by bending morality to the service of foreign policy."

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

R. DAVID RANSON is a Partner and Senior Economist with H. C. Wainwright and Company, a Boston-based firm specializing in economic analysis and investment topics. He holds the M.A. degree from Cambridge University and the Ph.D. degree from the University of Chicago. He has been a consultant to former Secretary of the Treasury William E. Simon and was a staff economist with former Budget Director George Schultz. With Arthur B. Laffer he is the co-author of a forthcoming book on the social security system.

In *Policy Review*, Dr. Ranson maintains that "When measured comprehensively, the deficit of the U.S. public sector appears to be at least four times larger than the official federal figure of $45 billion in 1977 . . . the latest year for which we have hard figures on funds actually spent." This discrepancy is primarily due, says Dr. Ranson, to the fact that budgetary outlays, receipts and deficits are measured on a cash basis rather than by accrual accounting which includes in its measurement unfunded increases in future spending commitments that would accrue during the period.

In addition, the Unified Budget document which includes official figures on the government deficit does not include as a part of the official budget certain agencies, such as the Export-Import Bank, the Postal Service, and the Rural Telephone Bank, or some newly-created agencies which receive federal funds. Neither do these figures include federal commitments to future expenditure promised in the federal Civil Service retirement system, the military retirement system, the Social Security retirement and survivors system (OASI) or other federal programs.

Unless government borrowing is reduced, says Dr. Ranson, the "crowding out process," by which private borrowers find capital funds preempted by the government, will probably result in a future rise in taxes, a low incentive for capital formation and economic growth, the decline of the market value of firms in real terms, and a curtailment of high-growth companies.

Dr. Ranson wishes to thank Arthur B. Laffer and Robert W. Kilpatrick for their help and advice on many occasions and to absolve them from any responsibility for any errors made or for the opinions expressed in this article.

ALFRED E. KAHN is presently Chairman of the Civil Aeronautics Board. After receiving his Ph.D. from Yale he taught at various colleges and served as an economist with several government agencies. He has been a professor of economics and Dean of the College of Cornell University. He is the author of a number of books including (with J. B. Dirlam) *Fair Competition* and *The Economics of Regulation*.

In this article Dr. Kahn proposes a gradual movement toward deregulation of air transportation which he suggests should begin with the encouragement of more price competition between scheduled carriers and chartered planes. He discusses the problems involved in defining the proper conditions for effective competition and various types of special combinations of services that are currently offered and others that could be offered in the future.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

E. G. WEST is Professor of Economics at Carleton University, Ottawa, Canada. After receiving his Ph.D. in economics from the University of London, Dr. West has taught and done research at the University of Kent in Canterbury, at the University of Chicago, at the University of California, Berkeley, and at the Virginia Polytechnic Institute and State University.

He is the author of many articles and books, including *Education and the State, Education and the Industrial Revolution*, and *Non-Public School Aid: The Law, Economics and Politics of American Education*.

In an economic analysis of the Packwood/Moynihan bill Dr. West concludes that the authors have a better plan than they realize. The bill, very briefly, would "provide a tax credit, subtracted directly from the amount of taxes owed, for tuition expenses paid by an individual for himself, his spouse, or his dependents." This plan, which would credit against taxes 50 percent of tuition payments up to a total of $500 per student, says Dr. West, would revitalize American education by increasing educational choices, competition, innovation, and flexibility.

The calculation of loss to the Treasury of $4.7 billion in 1980 for implementation of this bill, Dr. West argues, is a gross overestimation. This estimate ignores the increased competition which would result from the passage of this bill and the falling higher education enrollment which will occur if this bill is not passed.

Following the publication of "Government Statistics as a Guide to Economic Policy: Food Stamps and the Spurious Increase in the Unemployment Rates" in the Summer 1977 issue of *Policy Review*, the findings of the authors were cited and discussed in other journals and on the business and editorial pages of a number of newspapers around the country. RICHARD M. DEVENS, an economist with the Department of Labor's Bureau of Labor Statistics, offers in this issue a critical comment in which he argues that Clarkson and Meiners presented an "over-simplified view of the labor force dynamics that might result from registration requirements," elevating the relatively minor point that work registration requirements affect unemployment to the assertion that they are a principal factor in the growth of the unemployment rate. Responding point by point to Mr. Deven's argument in the following rejoinder, Professors KENNETH W. CLARKSON (Center for Law and Economics, University of Miami) and ROGER E. MEINERS (now of Texas A & M University) maintain that the charge that they had ignored alternative hypotheses does not hold up under examination and reassert their case, with new evidence recently compiled by them.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

KENNETH L. ADELMAN, currently with the Stanford Research Institute, is writing a book on the foreign policy of the Carter Administration. The holder of a Ph.D. in foreign affairs from Georgetown University, he has been a special assistant to former Secretary of Defense Donald Rumsfeld and has served as a Congressional Relations Officer with the State Department. He is the author of many articles which have appeared in such journals as *Foreign Affairs, Foreign Policy* and *Orbis*.

In a detailed survey of President Carter's foreign policy in his first year in office, Dr. Adelman gives the President high marks for "practicing preventive diplomacy by addressing key world issues and attempting to head them off before the crisis stage."

On the other hand, he also points out five underlying attitudes held by the President and his chief policy-makers which Dr. Adelman believes have weakened U.S. foreign policy in 1977. (1) This Administration seems less concerned about Soviet power and expansionism than any government since World War II. (2) President Carter and his advisors have a weakness for "comprehensive" solutions to difficult problems; they have attempted to solve long-standing disputes all at once rather than by going step-by-step. (3) The President has sometimes given voice to contradictory goals, e.g., he has stated that the U.S. will withdraw ground forces from South Korea *and* "the strategic balance in Northeast Asia will not be upset." (4) The Administration also has a weakness for making "idealistic pronouncements on the basis of general principles rather than of local realities in the affected countries." (5) Lastly, according to Dr. Adelman, the President and his men persist in announcing agreement where no agreement exists.

Dr. Adelman concludes, however, that the Carter team may do better next year.

Reviews of books were written by ORRIN G. HATCH (United States Senator from Utah), JEFFREY GAYNER (Deputy Director of Research of The Heritage Foundation), STEPHEN HASELER (Distinguished Scholar of The Heritage Foundation) and DOUGLAS J. FIETH (a third year student in Georgetown University Law School).

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Editorial Note

Recently the Policy Studies Organization conducted a survey of members of the American Political Science Association who were also government officials. These active participants in public policy were asked what kind of political science research was most needed and would be of most use to them. By far the largest number of respondents (48%) cited the need for more research "that is prescriptive in nature." They were very interested in "more work on policy choices and the range of alternatives and effects."

As readers of *Policy Review* know, this is the niche we have cut out for ourselves. We hope to provide policymakers and those who comment on policymaking with useable, constructive, even stimulating ideas at a time when those ideas will be of most direct use to them. In other words, we want to be writing about those issues that policymakers are likely to be talking about.

For instance, for this issue, a noted authority on ethics and foreign policy, Ernest W. Lefever, wrote a constructive critique of President Carter's human rights policy just as the annual "human rights report card" was being prepared by the State Department for the consideration of Congress. As soon as the FY 1979 Federal Budget was off the press we asked R. David Ranson, a former economist with the Office of Management and the Budget, to analyze some important budgetary factors that were *not* included in the official budget. As anyone familiar with government knows, what is not said is often as important as what is said.

In our Spring issue, the author of a forthcoming book on Eurocommunism, Stephen Haseler, will analyze the outcome of the French elections and will give his views on what these results will mean for France and the rest of Europe. We will also have an article on recent trends in the expansion of judicial power by the well-known criminologist, Ernest van den Haag, and a lively dissection of the State Department bureaucracy by a retired Foreign Service Officer, John Krizay, entitled "Clientitus, Corpulence and Cloning—The Symptomotology of a Sick Department."

R. L. S.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Introducing the Editorial Board

The Publisher, EDWIN J. FEULNER, JR., is the President of The Heritage Foundation. He was formerly Executive Director of the Republican Study Committee in the U.S. House of Representatives and has served as an aide to Secretary of Defense Melvin R. Laird and to Rep. Philip M. Crane. He was educated at the Wharton School of Finance, the London School of Economics, and other colleges. He is the author of *Congress and the New International Economic Order*, the editor of *China—The Turning Point* and co-author of six other books. He is a member of the International Institute for Strategic Studies and the Mont Pelerin Society.

The Editor, ROBERT L. SCHUETTINGER, is Director of Studies of the Heritage Foundation. He was formerly a foreign policy aide in the U.S. House of Representatives and has taught political science at The Catholic University of America, St. Andrews University in Scotland and Yale University. He studied at Columbia, Oxford and the University of Chicago's Committee on Social Thought. He is the author of the newly-published *Lord Acton: Historian of Liberty*, and of *Saving Social Security, Forty Centuries of Wage and Price Controls*, and *A Research Guide to Public Policy*; he is also the co-author of the forthcoming *U.S. Strategy in the Decade Ahead* and of *Point: Counterpoint* as well as of six other books in international relations. He is a member of the Policy Studies Organization, the International Institute for Strategic Studies and the Mont Pelerin Society.

The Chairman of the Editorial Board, DAVID I. MEISELMAN, directs the graduate economics program at Virginia Polytechnic Institute in Reston. He has taught at the University of Chicago, The Johns Hopkins University and Macalaster College; he has also served as a senior economist with the Committee on Banking and Currency in the U.S. House of Representatives and as a consultant to several government agencies. He is the editor of *Varieties of Monetary Experience* and the author of several other books and numerous articles. A former President of the Philadelphia Society, he is also a member of the Mont Pelerin Society.

KINGSLEY AMIS, the novelist, is also a frequent contributor to such journals of opinion as *The New Statesman* and *The Spectator*. He is also the co-author of several works on educational policy.

GEORGE F. GILDER has been a Fellow of the Kennedy Institute of Politics at Harvard and a staff aide to Senators Jacob Javits and Charles McC. Mathias. He has served as Managing Editor of *The New Leader* and as an editor of *The Ripon Quarterly*. The author of two books in sociology, he is currently working on a study of unemployment.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

STEPHEN HASELER is a Distinguished Scholar in The Heritage Foundation during the academic year 1977-78 doing research on Eurocommunism. The author of *The Gaitskellites* and *The Death of British Democracy*, he is principal lecturer in politics in City of London College and is a former Labor Party Member of the Greater London County Council.

HAROLD M. HOCHMAN is Professor of Economics and Public Administration in The Graduate Center and in the Baruch School of Business of the City University of New York. He is a frequent consultant to government agencies and contributor to scholarly journals. He is also research director of the International Center for Economic Policy Studies.

HERMAN KAHN is the Director of the Hudson Institute. He is the author of many books, including *The Emerging Japanese Superstate*. He recently edited *The Future of the Corporation* and is a member of the Council on Foreign Relations.

HENRY G. MANNE is Distinguished Professor of Law and the Director of the Law and Economics Center of the University of Miami in Coral Gables, Florida. He is the author of many books, including *Economic Policy and the Regulation of Corporate Securities.*

ALLAN H. MELTZER is Maurice Falk Professor of Economics and Social Science in Carnegie-Mellon University Graduate School of Industrial Administration.

ROBERT MOSS is the author of several books, including *The Collapse of Democracy*, and is editor of *The Economist's* confidential weekly, *Foreign Report*. He is a member of the International Institute for Strategic Studies.

JOHN O'SULLIVAN is an editorial writer for *The Daily Telegraph* of London. A former lecturer in politics he is the co-author of several books on economics and world affairs.

ROGER PEARSON is President of the Council on American Affairs and General Editor of its *Journal of Social and Political Studies*. He is also Editor of *The Journal of International Relations*. A former Academic Dean, he has taught anthropology at several universities and received his Ph.D. at the University of London. He is the author of several books on anthropology and world affairs.

WILLIAM SCHNEIDER, JR. is a professional staff member of the U.S. Congress and Research Fellow of the Hudson Institute. A member of the Interna-

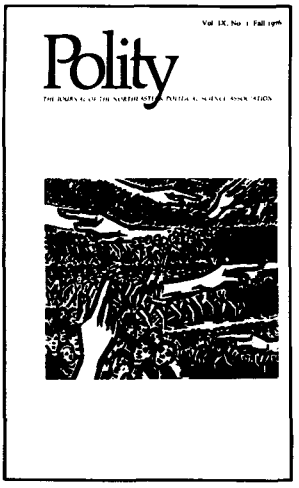
LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

tional Institute for Strategic Studies, he is the co-editor of the newly published *Arms, Men and Military Budgets*, and co-author of five other books.

GORDON TULLOCK is University Professor of Economics and Public Choice in Virginia Polytechnic Institute and editorial director of the Center for Public Choice.

ERNEST VAN DEN HAAG is Visiting Professor of Criminology in the Law School of the State University of New York at Albany. Besides contributing to *Ethics, Encounter, The American Scholar, Commentary* and many other journals, he is the author of *Punishing Criminals, Political Violence and Civil Disobedience* and other books. He is a member of the Council on Foreign Relations.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED



Polity, The Journal of the Northeastern Political Science Association, seeks to be open, lively, and literate. It includes articles, book review essays, and research notes. Artistic covers (changing each issue), careful design, and the absence of clutter, trivia, or sheer vastness make it an enjoyable possession.

Recent and forthcoming issues include articles on Maurice Joly's *Dialogue in Hell*; a Jungian interpretation of Machiavelli; the Nixon foreign policy; American federalism; cross-national patterns of University Government; politics and philosophy in Hegel; and other subjects of general interest to political scientists.

Subscription Rates

NPSA Members (required of all residents of New England, New York, New Jersey, Pennsylvania, and Delaware—includes membership in both the state and Northeastern associations): $10.00

Other: U.S.A. $9.00, Foreign $9.50

Student: U.S.A. $5.00, Foreign $5.50

Mail (subscription order) to: POLITY, Thompson Hall, University of Massachusetts, Amherst, Massachusetts 01003

Name _____

Address _____

_____

Payment enclosed, sum of: _____

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

The Trivialization of Human Rights

ERNEST W. LEFEVER

Human rights are what politics is all about. Fifteen centuries ago Saint Augustine said that were it not for government, men would devour one another as fishes. He was, of course, referring to good government, but governments often become corrupt, cruel, or tyrannical. When this happens, they are the most monstrous fish of all. Depending on its character, government can be the most effective protector of human rights or the most vicious violator of them. Hence, the struggle for viable and humane government is the heart of politics.

It is important to distinguish between two frequently confused concepts of human rights.[1] One has more immediate universal application because it is rooted in the religion and ethics of virtually all cultures and calls for sanctions against political authorities and others guilty of genocide, brutalizing innocent people and similar atrocities. The second and more precise concept of human rights is the fruit of the recent Western democratic experience and embraces a variety of substantive and procedural rights and safeguards that are enforced in perhaps fewer than a score of states. These rights include freedom of speech, assembly, press, and religion; equality before the law; periodic elections; the concept of being innocent until proved guilty; a judicial system independent from executive authority; and a range of safeguards for accused persons. Many of these Western democratic rights are unknown and unattainable in large parts of the world where both history and culture preclude the development of full-fledged democratic institutions. Nevertheless, there are significant differences in the extent to which human rights, more generally defined, are honored in undemocratic states. And some of these states have introduced a few of the specific Western safeguards.

1. This distinction is elaborated in Peter L. Berger's "Are Human Rights Universal?", *Commentary*, September, 1977.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

The never-ending battle to maintain and enlarge the areas of proximate liberty and justice must be fought against external and internal forces which seek to impose authority without freedom, often by brutal means. Human rights as we know them in the United States and other democratic countries can be eroded or even obliterated from within by acquiescing to willful men who seek to capture the reins of power for their own narrow ends or from without by totalitarian regimes determined to extend their dominion.

Our Founding Fathers wrestled with the problem of creating a free and independent country ruled by a government with sufficient authority to overcome domestic and alien threats and with sufficient openness to respond to the will of the people. Their formula was the judicious balance between authority and freedom embraced in the Declaration of Independence and elaborated in the Constitution. The former asserted that "governments are instituted among men, deriving their just powers from the consent of the governed" to secure certain fundamental rights, among them "life, liberty, and the pursuit of happiness." The Constitution was promulgated to "establish justice, insure domestic tranquility, provide for the common defense, promote the general welfare, and secure the blessings of liberty."

This audacious experiment prospered in an inauspicious world. In the face of new challenges, the American system provided for increasingly broader political participation and other specific rights spelled out or implied in the Constitution and its amendments. Our history is not without blemish, but compared to other political communities past and present, the American record is a beacon of freedom and justice in a world bedeviled by chaos, authoritarian rule, and messianic tyranny.

The Current Human Rights Campaign

The current wave of concern for human rights around the world was foreshadowed by several developments, notably Woodrow Wilson's crusade for "self-determination" and the Universal Declaration of Human Rights adopted by the United Nations in 1948. The U.S. campaign to make the advancement of human rights abroad an objective of foreign policy is more recent, but it did not start with President Jimmy Carter. He

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

simply built on the lively interest developed in Congress during the past several years which has been expressed largely in foreign aid legislation designed to prohibit or restrict economic or military assistance to any government "which engages in a consistent pattern of gross violations of internationally recognized human rights, including torture or cruel, inhumane, or degrading treatment or punishment, prolonged detention without charges, or other flagrant denial of the right to life, liberty, and the security of person" (Foreign Assistance Act, Section 502B, adopted in 1974). Most of the congressional human rights activists have limited their advocacy of punitive measures to Chile, South Korea, and Iran. In practice, the restrictions have had little effect on limiting aid, loans, or military sales, even to these countries.

Human rights was a natural cause for President Carter. As a born-again Baptist and a latter-day Wilsonian, he repeatedly stated his intention to restore integrity and compassion to American domestic and foreign policy. In his address at Notre Dame University on March 22, 1977, Mr. Carter looked back to the immediate past and deplored our "intellectual and moral poverty," illustrated by our Vietnam policy, and our "inordinate fear of Communism which once led us to embrace any dictator who joined us in that fear." He called for a "new" American foreign policy, "based on constant decency in its values and an optimism in its historical vision." The most conspicuous manifestation of his new policy is the effort to promote human rights in other countries by means of U.S. statecraft, including private diplomacy, public preaching, and measures to deny or threaten to deny economic, military or nuclear assistance. Mr. Carter's campaign has been given bureaucratic visibility by establishing a new post, Assistant Secretary of State for Human Rights and Humanitarian Affairs, currently filled by Patricia Derian, who sometimes discusses her assignment in moralistic rhetoric alien to traditional diplomatic discourse.

The human rights campaign has received mixed reviews at home and abroad. Last July in a *New Yorker* article friendly to the effort, Elizabeth Drew reported that Mr. Carter's people "are pleased, and some even a bit awestruck, at the impact that the human-rights campaign has had thus far. 'I think' says one, 'that the mulish world has noticed the two-by-four.' "

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

There is no doubt that the threatening plank has been noticed, and probably in isolated cases it has accomplished some good. But it should be recorded that some un-mulish elements in the world, including friendly and allied governments, have also seen the two-by-four and are not convinced that its whack, however well-intended, has always been redemptive. There is no doubt that it has harmed relations with some allies and has both irritated and comforted adversaries.

It is by no means clear that the campaign has resulted in any significant relaxation of Soviet restrictions against emigration or political dissent. There is evidence that the opposite may be the case. On December 30, 1977, a *New York Times* page-one story reported: "The small Soviet human rights movement . . . is at its lowest point in years after a campaign of arrests, threats, and forced exile."

It is clear, however, that a score of allies has been unhappy with a policy they regard as arrogant and unfairly applied. Brazil, Argentina, Uruguay, and Guatemala have been alienated to the point where they have refused military assistance from Washington. And Brazil has served notice that it wishes to withdraw from its Security Assistance Agreement of 25 years standing. This alienation of allies gives aid and comfort to Moscow which more than offsets the minor embarrassment it suffers from Mr. Carter's conspicuous "intervention" on behalf of Soviet dissidents.

Six Flaws in the Human Rights Policy

Far more serious, however, the Carter campaign has confused our foreign policy goals and trivialized the concept of human rights. It both reflects and reinforces serious conceptual flaws in the worldview of its most articulate spokesmen. These flaws, if permitted to instruct foreign policy, or even influence it unduly, could have catastrophic consequences for the security of the United States and the cause of freedom in the world. Six interrelated flaws deserve brief mention:

1. Underestimating the Totalitarian Threat

Human dignity and freedom are under siege around the world. It has been ever so. The islands of community protected by humane law have been contracting ever since postwar decolonization began. The citizens of most of the newly in-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

dependent states in Asia and Africa now experience less freedom and fewer guaranteed rights than they did under Western colonial rule.

But the greatest threat to human rights comes from messianic totalitarian regimes whose brutal grip brooks no opposition. Their self-anointed and self-perpetuating elites have become the arbiters of orthodoxy in every sphere – politics, economics, education, the arts, and family life. The ruling party even usurps the place of God. In totalitarian states like the U.S.S.R., Cuba, Cambodia, and Vietnam, there are no countervailing forces to challenge the power, will, or policies of the entrenched elite.

In spite of notable exceptions, the general political situation in the Third World is characterized by chaos and authoritarian regimes. Democratic and anti-democratic ideas and institutions are competing for acceptance. In this struggle, we should not underestimate the attraction of the totalitarian temptation to leaders who are grappling with the perplexing problems of moving traditional societies into modern, welfare states.

The human rights activists tend to underestimate the totalitarian threat to the West and the totalitarian temptation in the Third World. Hence, they neglect or trivialize the fundamental political and moral struggle of our time – the protracted conflict between forces of total government based on coercion and the proponents of limited government based on popular consent and humane law. In their preoccupation with the minor abridgment of certain rights in authoritarian states, they often overlook the massive threat to the liberty of millions. They attack the limitation of civil rights in South Korea and at the same time call for the United States to withdraw its ground forces, an act that may invite aggression from North Korea. It would be a great irony if Washington in the name of human rights were to adopt a policy that would deliver 35,000,000 largely free South Koreans into virtual slavery.

2. Confusing Totalitarianism with Authoritarianism

In terms of political rights, moral freedom, and cultural vitality, there is a profound difference between authoritarian and totalitarian regimes. Most Asian, African, and Latin American countries are ruled by small elites supported by varying degrees of popular consent. Some are run by brutal tyrants

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

like General Idi Amin of Uganda, others by one-party cliques, military juntas, or civilian-military committees. Almost all authoritarian regimes permit a significantly greater degree of freedom and diversity than the totalitarian ones in all spheres – political, cultural, economic, and religious. Authoritarian rulers often allow opposition parties to operate and a restrained press to publish. Foreign correspondents usually can move about freely and send out uncensored dispatches. They often permit and sometimes encourage relatively free economic activity and freedom of movement for their citizens. The quality of life possible under such rule, of course, depends not only on the character of central control, but on the cultural and economic level of the population as well.

There is, for example, far more freedom of choice, diversity of opinion and activity, and respect for human rights in authoritarian South Korea than in totalitarian North Korea. There is also far more freedom and cultural vitality in Chile – even under its present state of siege – than in Cuba. There have been political prisoners in Chile and there may be a handful now, but there are an estimated 15,000 to 60,000 political detainees in Cuba. These facts are noted, not to praise Chile or condemn Cuba, but to emphasize the consequential difference of human rights in the two kinds of regimes.

Another crucial difference is the capacity of authoritarian rule to evolve into democratic rule. This has happened recently in Spain, Portugal, Greece, and India. In sharp contrast, a Communist dictatorship has never made a peaceful transition to more representative and responsive rule.

3. Overestimating America's Influence Abroad

If the human rights zealots do not indulge in what Denis Brogan once called "the illusion of American omnipotence," they tend to overestimate our capacity, or the capacity of our government, to influence the external world, particularly domestic developments in other countries. America is powerful, but it is not all-powerful. Our considerable leverage of the 1950s and even our diminished leverage of the 1960s has been seriously eroded by OPEC, the great leap forward in Soviet military might, and our abandonment of Vietnam.

Quite apart from our limited capacity to influence intractable realities abroad, there is and should be a profound moral

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

constraint on efforts designed to alter domestic practices, institutions, and policies within other states. Neo-Wilsonian attempts to make the world safe for human rights seem to be rooted in what Professor Ronald Berman has called "a planned confusion between domestic and foreign policy. The rest of the world is depicted as if it were an American constituency, driven by our own motives, vulnerable to our own rhetoric."[2] To be sure, the extravagant rhetoric of a Carter or a Wilson, with its crusading and paternalistic overtones, draws upon a persistent idealistic stream in the American character. But there is another and quieter stream equally honorable, but less pushy and perhaps more persuasive – symbolized by the Biblical parable of a candle upon a candlestick or a city set upon a hill, an example to the "lesser breeds without the law," as it was put in a more candid era.

John Quincy Adams expressed this more modest understanding of America's external responsibility: "We are the friends of liberty everywhere, but the custodians only of our own." Thirty years later, Abraham Lincoln spoke of "liberty as the heritage of all men, in all lands everywhere," but he did not claim that the United States was the chosen instrument for fulfilling this heritage.

4. Confusing Domestic and Foreign Policy

Elaborating on Professor Berman's point, many human rights crusaders confuse the fundamental distinctions between domestic and foreign policy which are rooted in age-old practice, international law, the U.N. Charter, and common sense. They do not take seriously the distinctions in authority and responsibility that flow from the concept of sovereignty which underlies the modern state system. Our President and all other heads of state have authority to act only in their own states, within the territory of their legal jurisdiction. They are responsible only for the security and welfare of their own people, including their citizens living or traveling abroad.

There are, of course, multiple modes of interaction and cooperation between states based on mutual interest, ranging from trade, investment, and cultural exchange to military assistance and alliance ties. These activities are consistent

2. See footnote 3.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

with the concept of sovereign equality and non-interference in internal affairs. But short of a victorious war, no government has a right to impose its preference on another sovereign state. The mode and quality of life, the character and structure of institutions within a state should be determined by its own people, not by outsiders, however well-intentioned. The same is true for the pace and direction of social, political or economic change.

U.S. foreign policy toward another state should be determined largely by the foreign policy of that state. Domestic factors and forces are significant determinants only if they bear on external realities. Washington is allied with Iran, Taiwan, Thailand, and South Korea, not because their governments are authoritarian, but because they are regarded as vital in the struggle against the expansion of Soviet or Chinese power. It is therefore, appropriate to provide economic or military assistance to them, even if they do not hold regular elections. In sum, U.S. aid can properly be given to encourage a friend or ally to pursue constructive external policies, but not to promote internal reforms opposed by the assisted government. This leads to the next point.

5. Ignoring the Perils of Reform Intervention

The impulse to impose our standards or practices on other societies, supported by policies of reward and punishment, leads inevitably to a kind of reform intervention. We Americans have no moral mandate to transform other societies, and we rightly resent such efforts on the part of the totalitarians. There is more than a touch of arrogance in our efforts to alter the domestic behavior of allies, or even of adversaries.

As noted above, the Foreign Assistance Act states that a principal goal of U.S. policy is to promote internationally recognized human rights abroad. Further, Title IX of the Act says that U.S. aid should be used to encourage "democratic private and local government institutions" within the recipient states. The implications of this seemingly innocent phrase are disquieting. Should U.S. assistance be used to alter domestic institutions? Should we insist on an ideological or reform test before providing economic or military aid? Is this not a form of uninvited interference in domestic matters? If we take sovereign equality seriously, we will recognize that the people

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

of every state should determine their own system of justice and how they want to defend themselves against domestic or foreign dangers.

Other states may request assistance from friendly governments on mutually agreed terms. But external forces, however nobly motivated, cannot impose justice, human rights, or freedom on other states without resorting to conquest. It may be possible to "export revolution" – as the phrase goes – but we cannot export human rights or respect for the rule of law. Freedom and justice are the fruit of long organic growth nurtured by religious values, personal courage, social restraint, and respect for law. The majesty of law is little understood in traditional societies where ethnic identity tends to supersede all other claims on loyalty and obedience.

6. Distorting Foreign Policy Objectives

A consistent and single-minded invocation of a human rights standard in making U.S. foreign policy decisions would subordinate, blur, or distort other essential considerations. After all, our foreign policy has vital but limited goals – national security and international peace – both of which have a great impact on human rights. Aggressive war and tyranny are the two chief enemies of freedom and justice. Our efforts to deter nuclear war and nuclear blackmail are calculated to protect the culture and free institutions of Western Europe and North America. In the Third World we seek to maintain a regional stability conducive to responsible political development and mutually beneficial economic intercourse among states. Economic productivity alleviates stark poverty and thus broadens the range of cultural and political choice.

Therefore, our policies of nuclear deterrence should be determined by our understanding of the Soviet nuclear threat and our trade policies toward Moscow should be determined by our economic and security interests. Neither should be influenced, much less determined, by the extent of human rights violations in the Soviet Union. Likewise, in dealing with Third World countries, their foreign policy behavior should be the determining factor, not their domestic practices. Even though South Korea has an authoritarian government, we should continue our security support because it is a faithful ally under siege from a totalitarian neighbor and because

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

its independence is vital to the defense of Japan and Japan's independence is vital to the U.S. position in the Western Pacific and the world.

The Pitfalls of Selective Application

These six conceptual flaws which underlie the human rights crusade have already led to unwise policies and if carried to their logical conclusion, could end in disaster. Perhaps the most widely criticized and resented aspect of the campaign thus far has been its capricious and selective application to both Communist states and American allies.

During his visit to Poland last December, President Carter raised the human rights issue several times in public. On the one hand, he criticized his hosts for not permitting a handful of dissident journalists to attend his press conference. On the other, he praised Poland's rights record (compared to that of other Eastern European states) and said: "Our concept of human rights is preserved in Poland," to which a Polish writer replied: "The words are the same," but they "mean different things in the United States." The impropriety, not to say irony, of raising the sensitive rights issue in a Communist state whose fragile and problematic autonomy is precariously maintained at the sufferance of a totalitarian superpower, did not seem to concern Mr. Carter. Nor did the fact that Poland is forced to imitate many of the repressive measures of its master. By focusing on the absence of a handful of dissenting journalists at his press conference when the entire Polish people are held in bondage by the Soviet Union, President Carter distorted and trivialized the real meaning of human rights.

The policy of the Administration and the Congress toward the Soviet Union has also been vacillating and confused, seemingly more intent on scoring merchandisable victories than on grappling with the fundamental problem. Were it not for the Jewish emigration issue, Moscow would probably be receiving less critical attention than it is. How else can one explain the almost complete neglect of the massive violation of civil and political rights in Communist China, North Korea, Vietnam, and Cambodia?

Cambodia provides a particularly poignant example of this double standard toward totalitarian countries. Since the

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Communists took over on April 17, 1975, reliable studies estimate that 800,000 to 1.5 million Cambodians have died by execution or from starvation and disease caused by the forced evacuations from cities. This means that one in every six or seven has perished in the ruthless Communist bloodbath. Yet, where is the outcry from the advocates of human rights? Why this strange silence about what may well be the most brutal atrocity of our century? Measured by relative population, the Communist purge in Cambodia has destroyed more lives than Hitler's concentration camps or Stalin's Gulag Archipelago.

The great silence can be explained in part by racial and ideological factors. To certain rights advocates it somehow seems more reprehensible if violations or brutality are directed toward members of a different race. A white South African regime denying blacks the vote seems more morally repugnant than black regimes denying all citizens the vote (which is the case in most other African states). Filtered through a racist lens, it does not seem as bad for Cambodian Communists to murder thousands of innocent Cambodians — men, women, and children — as for a much smaller number of Cambodian soldiers to die in a war in which the United States was involved.

This suggests that an ideological factor is also present. A recent *Wall Street Journal* editorial pointed to the frequent alliance between liberal moral outrage and revolutionary causes: the "crimes of the Khmer Rouge, even though they dwarf some other state crimes of our times . . . have attracted less attention because they are inflicted in the name of revolution." One can only wonder what the reaction would be if the new government had employed "conservative" rhetoric and announced that it was going to cleanse the country of all socialist or Marxist influences.

Turning to American allies, some of the most articulate rights advocates concentrate their outrage on the very regimes that are under the most severe pressure from the totalitarians — South Korea, Taiwan, Iran, and Chile. The first three are geographically and militarily exposed to Communist power. Chile under Allende was the target of a massive internal and external assault by Marxist forces seeking to transform it into a Cuban-style dictatorship. All four of these states have authoritarian regimes, primarily in response to their present or recently endangered position, but in each the range of rights permitted

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

or guaranteed by the regime is far greater than that of the Communist governments that seek to subvert or replace them. This suggests that the human rights standard is sometimes used, not to advance freedom, but as a cloak to attack anti-totalitarian allies.

Some rights advocates have simultaneously urged punitive policies against Chile and measures to normalize relations with Cuba. This is a double irony. Human rights are more honored in Chile than in Cuba and Chile is pursuing a more peaceful foreign policy than Cuba. Havana is a mischief maker on a grand scale, acting as a cat's-paw for Moscow. Castro, in addition to shoring up a minority regime in Angola with 19,000 Cuban troops, has sent Cuban soldiers to support the Marxist military junta in Ethiopia and to assist "revolutionary" regimes and other groups in a dozen other African states.

This double standard is often promoted by the media. According to a tabulation of news stories, editorials, and signed opinion for 1976, the prestige media's big five – *New York Times, Washington Post*, and the TV evening news shows of ABC, CBS, and NBC – carried 227 items about rights violations in two allied countries, Chile and South Korea, in contrast to only 24 stories about violations in three Communist countries, North Korea, Cuba, and Cambodia. The tabulation drawn up by Accuracy in Media follows:

	Chile	South Korea	North Korea	Cuba	Cambodia
New York Times	66	61	0	3	4
Washington Post	58	24	1	4	9
ABC - TV	5	2	0	0	1
CBS - TV	5	3	0	0	2
NBC - TV	3	0	0	0	0
Totals:	137	90	1	7	16

The content of the items was not examined, but the bias was clearly revealed by the inordinate attention given the small human rights sins of two loyal allies compared to the massive sins of three totalitarian adversaries – a ratio of almost ten to one.

Admittedly, it is far easier to get reliable information about

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

the imperfections of authoritarian societies than those of closed, totalitarian states, but this is hardly an excuse for the media which pride themselves on vigorous investigative reporting. Certainly a little effort could have yielded considerably more data on violations in Cambodia, North Korea, and Cuba, to say nothing of China where both blunt and subtle forms of repression have been developed into an exquisite craft.

The lopsided application of human rights criteria is justified by White House and State Department spokesmen on pragmatic grounds. They frankly admit that they give more critical attention to allies than to adversaries because they have more leverage over the former — we can withhold or threaten to withhold aid from our friends, so why not strike a blow for freedom where we can, or, if one prefers, why not administer the two-by-four to a mulish friend?

What Is America's Responsibility?

In a formal and legal sense, the U.S. Government has no responsibility — and certainly no authority — to promote human rights in other sovereign states. But this is hardly the whole story. Because of our heritage, our dedication to humane government, our power, and our wealth, we Americans have a moral responsibility, albeit ill-defined, in the larger world consistent with our primary obligations at home and commensurate with our capacity to influence external events. We are almost universally regarded as a humanitarian power and as the champion of freedom and decency. We should be proud of our humane occupation policies in Germany and Japan. But we enjoy no occupation rights now, and the role of our government abroad is less clear. Saying this, the American people and their government can make two major contributions to the cause of human rights in other countries.

First, in the spirit of John Quincy Adams and Lincoln, we can be worthy custodians of the freedom bequeathed us by the Founding Fathers and thus continue to give heart to the aspirations of peoples everywhere. We can give hope to those in bondage by illustrating what the late Reinhold Niebuhr has called "the relevance of the impossible ideal." We can never fully realize our own ideals. And in most other cultural settings, full respect for human rights cannot be expected in the fore-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

seeable future. A quick change in government will not enshrine liberty of justice. The message of our example is subdued, but not without hope — the struggle for a bit more freedom of choice or a better chance for justice is a never-ending one and after small gains have been made, eternal vigilance is vital to avoid sliding back into bondage. Serving as an example of decency, then, is our most effective way to nudge forward the cause of human dignity.

Second, our government can advance human rights by strengthening our resolve and our resources to defend our allies who are threatened by totalitarian aggression or subversion. This requires security guarantees, military assistance, and in some cases the presence of U.S. troops on foreign soil. Our combined effort to maintain a favorable balance of power has succeeded in preserving the independence of Western Europe, Japan, and South Korea. But because of our half-hearted commitment, we failed in Vietnam, Cambodia, and Laos, and in a different sense, in Angola.

We have a domestic consensus for continued support of our North Atlantic allies and Japan, but some of our commitments elsewhere have been eroded by confusion over the nature of the threat. We are being severely tested in Taiwan, South Korea, and southern Africa. In each case, the totalitarians are pressing relentlessly by military, economic, political, and subversive means to destroy and replace Western influence. The struggle in these areas is hardly one of pure freedom against totalitarianism, but human rights (as well as peace) are clearly at stake. Any regime installed or sponsored by Moscow or Peking in Seoul, Taipei, or Pretoria will certainly provide less justice and freedom than the imperfect regime it displaced.

Beyond serving as a good example and maintaining our security commitments, there is little the U.S. Government can or should do to advance human rights, other than using quiet diplomatic channels at appropriate times and places. Moscow and other governments should be reminded of their pledges in the United Nations Charter and the Helsinki Agreement. Public preaching to friend or foe has limited utility. As we have already seen, it is both embarrassing and contra-productive to threaten punitive measures against friendly, but less than democratic, regimes which are attempting to achieve a reasonable balance between authority and freedom at home, often

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

under severely trying circumstances, and are pursuing constructive policies abroad.

The Irony of Virtue

The Carter Administration is not of one mind on the significance, purpose, or effects of the human rights crusade. The administration is even less united in the implementation of the program in specific cases. During his visit to Iran last December, President Carter gave his final approval for the sale of six to eight nuclear reactors to that country whose government has been the target of human rights activists as well as of Marxist groups. Alleged rights violations by the Shah's government have apparently had little effect on U.S. arms sales there. The same appears to be true of South Korea. In fact, some observers believe that the entire campaign so far has been more rhetoric than reality, and some suggest that it was launched more to satisfy the impulses of U.S. domestic groups than to effect real changes in the external world.

In any event, there appears to be a growing recognition of the moral and political limitations of a foreign policy crusade which, to repeat Mr. Carter, is based on "constant decency" and "optimism." While defending the campaign in principle, Secretary of State Cyrus Vance notes some of the reservations and flaws developed above. In a Law Day address, April 30, 1977, Mr. Vance warned against a "self-righteous and strident" posture and said "we must always keep in mind the limits of our power and of our wisdom." He added that "a doctrinaire plan of action" to advance human rights "would be as damaging as indifference."

The tone of Mr. Vance's address stands in sharp contrast to President Carter's Notre Dame speech, which has been criticized as arrogant, self-righteous, and naive by Senator Daniel Moynihan and eight other foreign policy observers in a monograph published last December.[3] Among other things, these critics took exception to Mr. Carter's view that there have

3. See *Morality and Foreign Policy: A Symposium on President Carter's Stance,* ed., Ernest W. Lefever, published by Ethics and Public Policy Center, Georgetown University, December 1977. The other critics are Robert L. Bartley, Ronald L. Berman, Jeane Kirkpatrick, Charles Burton Marshall, Michael Novak, John P. Roche, Eugene V. Rostow, and Roger L . Shinn.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

been "dramatic worldwide advances in the protection of the individual from the arbitrary power of the state." In his pragmatic response to the security and other political realities, however, the President is far closer to Mr. Vance's words than to his own rhetoric. In the interests of reasonable consistency, the President has two choices – he can alter his rhetoric or alter his actual policies. Politically and morally, reality is more compelling than rhetoric.

The canons of prudence, statesmanship, and accountability all suggest that the President tone down his rhetoric. He should quietly recognize the political and moral limits of promoting particular reforms in other societies. He should recognize that a policy rooted in a presumption of American righteousness and in our capacity to sponsor virtue in other states often leads to the opposite effect. In some circumstances, the invocation of a rigid standard could undercut our security ties and invite a disaster in which millions of persons would move from partial freedom to tyranny.

Mr. Carter's policy is full of irony, precisely because his good intentions may lead to dire consequences. Irony is not the result of evil intention or malice, but rather of a hidden defect in virtue. In Mr. Carter's case, at least in rhetoric, the defect is a kind of vague, romantic optimism with an excessive confidence in the power of reason and goodwill. This comforting view of human nature, the child of the Enlightenment and social Darwinism, differs sharply with the more sober Biblical understanding of the nature and destiny of man. Be that as it may, the President should not be judged on his philosophical consistency, but rather by the actual policies he pursues. Since there is some relation between how one thinks and feels and what one does, it is not inappropriate to recall the words of columnist Michael Novak: "One of the best ways to create an immoral foreign policy is to try too hard for a moral one."

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

A Reappraisal of the Human Rights Doctrine

T.E. UTLEY

My intention is to examine the proposition, now fashionable in Britain and the United States, that the defense of human rights should be among the chief objects of foreign policy. I shall argue that this proposition is both false and dangerous.

It is necessary, at the outset, to distinguish between two categories of argument which are generally urged in favor of the importance now given to human rights as an ingredient in foreign policy. These two categories may be respectively designated as "the dishonest" and "the naive."

The dishonest arguments raised in favor of the human rights theme often spring from a phenomenon which is very familiar in Anglo-Saxon countries and which may be called "inverted hypocrisy." Straightforward hypocrisy consists of claiming that actions which in fact arise from squalid or self-interested motives are dictated by exalted moral principles. "Inverted hypocrisy" consists of the practice of defending actions which are in fact dictated by high if misguided moral principles on the ground that they are justified by sheer self-interested expediency. A very good instance of this kind of reasoning is to be seen in the arguments now widely urged for the policy of championing human rights in Russia and Soviet-controlled countries. It is said that it would be very nice indeed to run our affairs on the assumption that international relations are the relations between sovereign states and have nothing to do with human rights, but that this traditional approach is rendered impossible by the Soviet Union's refusal to play the game according to these rules. Russia, it is said, intervenes everywhere; she has her fifth columnists in every country; she subverts the democracies by fostering revolutionary movements in their midst and preaching a universalist philosophy. It is necessary, so the argument runs, to combat this subversion by mounting a counter-attack in the form of a militant espousal of the cause of oppressed minorities in the Soviet Union and its satellites. If we do not espouse the cause of human rights there we shall be gratuitously

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

depriving ourselves of a valuable instrument of foreign policy.

It is (to say the least) highly questionable whether this last claim is true. Russian subversion of the West is well-organized and extremely effective. The possibility of mounting any equivalent retort to it in the totalitarian states of eastern Europe is exceedingly remote; but, by attempting that exercise, we automatically deprive ourselves of what has hitherto been a powerful and emotive argument against subversives in our own country – the argument of patriotism. The simple proposition that sovereign states ought not to interfere in each other's internal affairs has an immediate and compelling appeal to simple folk. "Minding your own business" is one of the cardinal themes of the ordinary person's morality. It is still very easy to discredit a man by saying that he is working for a foreign power or a foreign ideology. Having said that, you need say no more; the investigation need not extend to the virtues of the foreign power or the merits of its ideology. However, it becomes impossible to use this method of persuasion if we ourselves are actively engaged in meddling in the affairs of our enemies and preaching our own ideology to them.

But the discerning reader will already have perceived the fatal flaw in the view that we should support the establishment of human rights in the Soviet Union in order to combat Soviet support for Marxism in the West. Suppose the device were to succeed; suppose the Russian government, terrorized by the compliments showered on emigré Russian intellectuals and by incessant advocacy of the principles of the American Revolution in the overseas radio programs of the Western powers, were to abandon the attempt to subvert the West. The object of the Western counter-attack would have been achieved and the argument for sustaining it would have been removed. It would be necessary to abandon "human rights" as a policy and revert to the doctrine of non-intervention. All the hopes of liberation sedulously stirred up in the breasts of oppressed minorities would have to be sharply withdrawn. In practice, this would probably prove impossible because of the notorious lack of sophistication of democratic electorates; but if it were not to prove impracticable, how utterly base the West would look, and how utterly contemptible its conduct would rightly appear to all but the most cynical exponents of

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

realpolitik!

The simpler type of hypocrisy which underlies the present emphasis on human rights appears most clearly in relation to Africa. Here the argument is very crude indeed. The premise (which of course again is questionable) is that the black peoples of southern Africa are bound to achieve ascendancy, and that their subsequent behavior towards the rest of the world will be largely determined by the way in which the rest of the world has treated them in their hour of need. If the British and American governments, so it is reasoned, show any lack of moral zeal for the cause of African liberation now, it will be to the Russians or the Chinese that the victorious liberation movements will turn when their triumph is assured.

The Place of Gratitude in Politics

The practical objection to this reasoning is that gratitude notoriously plays only a minimal part in the behavior of governments and revolutionary movements, whether black or white. The behavior of emergent African states will be governed primarily by a calculation of their own interests, one ingredient in which is likely to be reluctance to become dependent on over-mighty partners. But the moral objection is still more staggering. It is to be seen most strikingly in the repellent posture almost without precedent now struck by the British Foreign Secretary, Doctor Owen, in relation to Mr. Ian Smith's negotiations with moderate, non-violent African leaders in Rhodesia. There have been plenty of British statesmen in the past who have been willing to negotiate with terrorists, a course for which in the right circumstances there is much to be said. Doctor Owen, however, is surely the first to act on the rule that it is morally wrong to negotiate with anyone else.

Yet this form of political prostitution is the virtually inevitable consequence of the theory of enlightened self-interest on which he proceeds. What happens, when, as is often the case, enlightenment and self-interest do not coincide? A politician who starts from the premise that only virtuous causes can ever be properly supported or even tolerated will almost infallibly end with the conclusion that causes which are likely to prevail must in all prudence be deemed to be virtuous.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

No: the case for making the advocacy and defense of human rights one of the main objectives of British and American foreign policy is moral and altruistic in character and has nothing to do with national self-interest in the sense in which that phrase is commonly used. It rests on a long and respectable tradition of Christian and humanist thought. It postulates that all individuals have rights by virtue of their humanity, that rights can in the last analysis inhere only in individuals and that accordingly it is the ultimate duty of all who wield power to wield it in such a manner as will promote the welfare of mankind.

I accept this series of propositions as providing, not indeed an immediate guide to political action, but at any rate an ultimate criterion of the moral validity of political actions. This clearly commits me to the view that foreign policy should have a moral content, that the behavior of sovereign states is not above legitimate censure and approbation. It is a far cry from this assertion, however, to the view that the definition and codification of human rights and the provision of supra-national and international means for their enforcement is a legitimate object of foreign policy.

It is necessary at this stage of the argument to draw a crucial distinction — that between righteous aspirations and rights or, to put it differently, that between rights properly so-called and aspirations which ought to become rights. There are certain things which may be said about the nature of rights and which it may be assumed with confidence will be generally admitted by all who reflect on the subject. To begin with, rights pre-suppose the existence of society. They are ways of regulating the relationships of people with each other. What is more, society is necessary to their enforcement. It follows from this that if in any set of circumstances it can be shown that the enforcement of a legal right is incompatible with the safety or ultimately the existence of society, that right ceases in the moral sense to be a right at all, even though in ideal conditions it would again become a right. This proposition is of course admitted in the various codes of human rights by the insertion of "escape clauses," clauses which provide for the suspension of a right in exceptional circumstances such as civil war, invasion or a natural disaster. But what constitutes an exceptional circumstance? The political societies into which the

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

world is divided are at very different stages of development.

It would be very surprising indeed, for example, if the amount and character of public force which is a precondition of the existence of society in Ghana were identical with the amount and character of public force precedent to the survival of the United States of America. One may say that the rulers of both these places are under a sacred obligation to deport themselves decently, to forswear the unnecessary use of coercion, to treat their subjects with kindliness and tolerance, to strive disinterestedly for the public good and to accord to all men the moral status of creatures of God. It would be odd, however, if these precepts were capable of common translation into codes and institutions in both societies.

Can Rights Exist Outside of Society?

The point is, indeed, too obvious to need laboring. It is, in fact, generally admitted. What does not seem to be understood is that this admission is fatal to the whole concept of human rights in the foreign policy arena. It is not simply that different societies at different stages of development require widely different institutions for their survival and prosperity. Even when we are faced with a society which is grossly unjust in the sense that it maintains oppressive laws for which there is no conceivable excuse, we must pause before inferring that the members of that society have a right to the abolition of those laws. Before a claim can become a right it must be conceded by some authority deemed legitimate. Recognition by some such authority is indispensible to the existence of a right as distinct from a just aspiration. Bentham took the extreme view that rights could only be the creatures of the positive law, that there were in fact no other kinds of rights but legal rights. It is not necessary to accept this view, however, in order to admit that a claim can only be converted into a right by a process of recognition. Thus, the advocates of human rights normally invoke the concept of social as distinct from legal recognition. They look for the source of that recognition to some more or less vague entity: the agreement of all civilized people, the universal human conscience or something of that order. The fact that it is impossible to be precise and certain about the means of ascertaining just what this supposed authority is at any time does not destroy the validity

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

of the argument. Yet, in asserting (say) that all black Rhodesian adults have the right to vote* – by which we refer to a right recognized by the civilized world or some other more or less nebulous moral entity but denied by the positive law of Rhodesia – we are coming perilously near to denying outright the legitimacy of the present Rhodesian state and its title to the obedience of its subjects. This, in fact, is what most of the advocates of human rights for southern Africa have already done. What they have not done and cannot do is provide any alternative means for the government of Rhodesia. To this extent, they are inviting anarchy in the name of human rights.

It is, of course, true that the assertion that black Rhodesians have a moral right to the franchise does not necessarily imply that they are justified in adopting any means, however bloody and destructive, to vindicate that right. But, once "the language of right" has begun to be employed, the controversy acquires a new dimension. This, it may be objected, is a mere matter of words. It would be possible to rephrase the demand for universal suffrage in Rhodesia without evoking the emotive concept of right. It would be possible to say, for instance, that "one man, one vote" was a just aspiration, a goal which should be pursued by judicious means.

That, however, would involve the need to balance the merits of this goal against the perils of pursuing it, against the need to preserve public order and efficient government. The kind of policy which would result from this cautious approach is manifestly different from the kind which results from the crusading approach which is generated by declarations of human rights. The most serious defect of such declarations is that they emanate from people who are powerless to carry out their recommendations, and cannot be called to account for the consequence of their words.

The fact that the various states into which the world is divided are at very different stages of social development is by no means the only objection to the "human rights" approach. It is reasonable to assume, for example, that the states of Western Europe are roughly at the same stage of development, that they have arrived at broadly the same sort

* As this is written, black voters with certain qualifications elect one-third of the seats in the Rhodesian parliament.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

of institutions after an approximately similar historical experience. Without much difficulty, they have agreed on a convention of human rights embodying a liberal view of the objects of government and the means by which it should be conducted. Even this convention, however, is likely to present vast difficulties of interpretation. A trivial and ludicrous instance of this is the recent decision of the European Commission of Human Rights to investigate the question of whether corporal punishment in Scottish schools is a breach of the clause forbidding torture and degrading punishments. What constitutes a "degrading punishment" depends largely on the expectations and assumptions of those being punished, and there is no reason to suppose that the definition will be the same in different national cultures. What is really at issue is whether the proper way of disciplining Scottish schoolchildren can best be determined by the educational authorities in Scotland or by a body of European jurists. An abstract definition of human rights, to be effective, must be translated into institutions and policies, and what really matters is who shall decide what these institutions and policies should be. If Western Europe is genuinely one society, its social unity can properly be expressed in common political and legal institutions. If it is a collection of separate sovereign states, on the other hand, nothing but acrimony and disillusionment can follow from encouraging those states to interfere gratuitously in each other's internal affairs and imposing on them supranational authorities equipped with no power save the power to censure, often from the vantage point of ignorance.

At its best, therefore, the case for adopting the defense and extension of human rights as one of the main objects of foreign policy is naive. Noble as the motives for adopting it often are, they are particularly vulnerable to corruption. Those who treat foreign policy as a branch of morality are liable to end by bending morality to the service of foreign policy. It is proper that governments as well as their subjects should keep their consciences alert, that they should remain capable of distinguishing between right and wrong in the conduct of international affairs. When a moral judgment has been made, however, the question of what if anything can be done to enforce it is a matter of political expediency. Such precarious stability as there is in international politics still

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

depends mainly on the rule of non-intervention by sovereign states in each other's affairs, and those who weaken that rule still further, even in pursuit of high moral ends, assume a serious responsibility. It is at least questionable whether posterity will see in the present preoccupation of President Carter and Doctor Owen with human rights a new stage in the moral progress of mankind.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Toward a Broader Picture of the Budget Deficit

R. DAVID RANSON

When measured comprehensively, the deficit of the U.S. public sector appears to be at least four times larger than the official federal figure of $45 billion in 1977. (1977 is the latest year for which we have hard figures on funds actually spent.)

It is conventional to measure budgetary outlays, receipts and deficits on a cash basis. A more meaningful measure of the government's deficit would use accrual accounting rather than cash accounting, and would include whatever unfunded increases in future spending commitments accrue during the period. When this is done, an entirely different picture of government liabilities and deficits is revealed. Budget analyses on the official figures, though these are much easier to obtain, are likely to be misleading.

Classic economic analysis implies that deficit-financed spending will diminish incentives for private saving and investment, and therefore reduce economic growth. Perhaps it is no accident that, in the past ten years, unprecedented public sector deficits have been accompanied by a dramatic slowing of net capital investment.

This article first reviews the conventional deficit data and restores some of the omissions. The second section introduces a broader concept of the deficit and quantifies it to the extent possible. In the remainder of the study, I briefly discuss my own view of the meaning and effects of government deficits, and point out some investment implications.

Official Figures on the Government Deficit

Each year most analysts focus their attention on the Unified Budget document[1] which summarizes the difference between cash receipts and outlays for the period. Table One lists the

1. *Budget of the United States Government*, Washington: U.S. Government Printing Office. More analytic data on certain topics are provided in an accompanying publication entitled *Special Analyses*.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

last decade's official figures, together with the projections in President Carter's Budget.

In concept, the budget deficit is what the government has to borrow from outside to maintain its operation during the period. Similarly, when a surplus occurs, it theoretically represents the net amount of debt that the government can retire. In practice, however, there are four major discrepancies between this concept and the official figures:

1. *Off-Budget Spending.* The Unified Budget does not include all federal spending. Since 1971, a number of agencies have been excluded by act of Congress – the Export-Import Bank (for a time), the Postal Service, the Rural Telephone Bank, and others. Several newly-created agencies have also been designated "off-budget" from their inception: for example, the Federal Financing Bank and the Pension Benefit Guaranty Corporation. An off-budget agency is relieved of many of the normal competitive pressures for federal money that other programs must face during the process of budget planning and Congressional appropriation. In fiscal year 1977, off-budget agencies added $8.7 billion to federal cash requirements.
2. *Other Sources and Uses of Cash.* Instead of issuing debt, the U.S. Treasury can dip into cash balances, liquidate part of its receivables, make use of funds temporarily held on behalf of state governments, and so on. Similarly, instead of retiring debt, the Treasury can reduce its payables or add to its cash balances. For example, in fiscal year 1977, the net effect of various alternative sources and uses of cash subtracted $0.2 billion from federal cash requirements.

Table Two documents these two discrepancies between the Unified Budget deficit and the net amount of direct borrowing from all sources.

3. *Monetization of the Debt.* The Federal Reserve can buy back government securities from the private sector or rarely directly from the U.S. Treasury. This is primarily accomplished through open-market operations. Since the Fed by so doing creates new bank reserves, it is, in effect, "monetizing the debt" or "printing money." In fiscal year 1977, the Federal Reserve purchased $8.3 billion net of federal securities.

Table Three consolidates the federal government (including

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

the Federal Reserve), and isolates borrowing from all outside sources.

It is interesting to note that for this ten-year period, the proportion of federal borrowing absorbed by the Fed averaged only 21%. In the past three years, the proportion was even lower.

4. Other Public-Sector and Government-Sponsored Borrowing. The above figures still give an incomplete picture of public sector borrowing unless three further categories are added to the data: federally-sponsored enterprises, borrowers covered by federal guarantee, and state and local governments.

Federally-sponsored enterprises are institutions which are owned by the private sector, but which were established and chartered — and are to some degree directed — by the federal government to perform special credit functions in the public interest. They include the Federal National Mortgage Association, the federal land banks, and the Federal Home Loan Mortgage Corporation.

Federally-guaranteed borrowers are individuals and institutions whose debt is guaranteed by the U.S. Government by statute. In effect, the federal government borrows on their behalf. Programs under which debt is guaranteed include the housing loan programs of the Veterans Administration, the Government National Mortgage Association, and the Federal Housing Administration.

In fiscal year 1977, federally-sponsored enterprises borrowed a net amount of $11.4 billion and $14.1 billion was borrowed under federal guarantee; $22.1 billion was borrowed by state and local governments. Allowing for accumulation of $14.1 billion in federal securities held, net borrowing by state and local governments was $8.0 billion.

According to Table Four, total borrowing by or through the public sector has run at twice the pace of direct federal borrowing alone.

To gain some perspective on the role of government in credit markets, Table Five, below, shows the extent to which the growth in government borrowing has exceeded that of the private sector.

According to Table Five, government and government-assisted borrowing accounted for an average of 34% of total

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

credit during the last three years, compared with 27% during the previous seven.

By definition, accumulated borrowing by the public sector, less debt redemption, equals the amount of debt outstanding.[2] It is useful to reconcile the figures listed above with the data for the "National Debt." Table Six shows the amount of public sector debt in private and foreign hands at the end of each fiscal year.

Over the past decade, total government debt outstanding grew 126%, compared with a 137% rise in GNP. Thus, as a percent of GNP, total government debt seems to have remained quite stable. However, for reasons to be explained below, this impression of fiscal moderation is an illusion due to incomplete accounting.

Accrual of Public Sector Liabilities

The Unified Budget and the other data described above for the most part use cash accounting. They do not, therefore, recognize income and expenditure until the funds are actually received and disbursed.[3] Their largest omission is the failure to recognize the accumulation of commitments to future expenditure, which the application of private sector accounting standards would have revealed. Ironically, government entities are not generally bound by accounting standards as stringent as those which the private sector imposes on itself or is required to follow by law.

Commitments to future expenditure include both statutory and political (or moral) obligations. Consider as an example, the federal Civil Service retirement system. Retirement benefits accrued by civil servants do not appear in the government's accounts until the funds are actually disbursed, even though Civil Service trust fund receipts are far from sufficient to offset the accumulating liability. From any realistic perspective, the unfunded portion of Civil Service retirement and disability liabilities ($116 billion at the latest estimate) should be considered a part of the federal debt. Similarly, the year-to-year increase in these unfunded liabilities (about $9 billion) should

2. There are some relatively minor discrepancies due, for example, to the reclassification of securities.

3. Strictly speaking, the Unified Budget does account for a few items on an accrual basis – specifically, most interest on the public debt.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

be considered analogous to federal borrowing.

The analogy between unfunded liabilities and federal debt is very close. The conventionally-defined debt is merely the discounted cash value of the government's commitment to make interest and principal payments in the future on its officially recognized liabilities. Liabilities like those of the Civil Service retirement system are harder to estimate than conventional debt, but they are no less a commitment to make future payments. First, it is not generally perceived as "debt," and is not subjected to the same political disciplines as the explicit debt. Second, unlike interest payments on government securities, retirement benefits are indexed to the cost of living. In other words, their real magnitude is not diminished by government policy decisions that in effect reduce the purchasing power of the dollar.

Military retirement is a similar program of roughly the same size as Civil Service retirement. Although for all practical purposes its commitments are equally inescapable, they are not technically obligations under present law, and each year the Congress must pass a law to appropriate the necessary funds. But the formula governing the amounts paid is written into law.

By far the largest of these commitments to future expenditure is the Social Security retirement and survivor's insurance system, which estimated an unfunded liability of $3.46 trillion at the beginning of fiscal year 1978.[4] After correcting for year-to-year alterations in forecasting assumptions, further net liabilities are accruing automatically at a rate of about $85 billion every year.

Table Seven summarizes several major federal programs that have unfunded spending commitments.[5]

4. The Social Security data used in this paper are adjusted to reflect the tax increases and long-range benefit cuts ("decoupling") in the Social Security Amendments Act signed by President Carter at the end of 1977. They are estimates released by the Office of Actuary, Social Security Administration. The corresponding official published figures, which are larger, do not reflect the new law. For a detailed analysis of the Social Security system, see "A Proposal for Reforming the Social Security System," by Arthur B. Laffer and R. David Ranson, H. C. Wainwright & Co. Economic Study, May 19, 1977.

5. Source of data: *Statement of Liabilities and Other Financial Commitments of the United States Government*, Washington, D.C.: U.S.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Table Eight provides estimates of the annual accrual of these liabilities: that is, the automatic annual increases of the unfunded liabilities. The annual accruals are corrected for changes due to altered actuarial assumptions.

These figures are part of the broadly-defined public sector deficit. Corresponding estimates for a decade ago are almost unobtainable, but scattered data suggest that the total would be a mere fraction of that for 1977.

The current annual accruals understate the growth in federal unfunded liabilities reported during recent years, because actuarial assumptions have in many cases become substantially more pessimistic. For example, between June 30, 1975 and September 30, 1976, the unfunded liabilities of the combined OASI and DI programs jumped from $2.71 trillion to $4.15 trillion, as the actuaries modified their estimates of future birth rates and wage growth to conform more closely to recent experience. Taking into account the new Social Security law, the 1977 figure dropped to $3.46 trillion. If, however, the actuarial and legislative assumptions for 1978 were to remain unchanged from those of 1977, Table Eight implies that the unfunded liabilities would increase only $84 billion to around $3.54 trillion.

The aggregate gross liabilities of the nine programs listed in Table Seven were about $10.5 trillion at the latest estimate. They dwarf the official debt estimates in Table Six. The total was more than seven times the annual GNP of the United States, or nearly twice the market value of the entire national wealth as estimated by a recent Conference Board study.[6] The unfunded portion of these liabilities totals about $4 trillion

Treasury Department (the "Saltonstall Report"), supplemented by unpublished data from primary sources. Liabilities of different programs are calculated with different actuarial procedures and pertain to dates varying from June 30, 1974 to September 30, 1976. Data are expressed to the degree of precision used in the source, although such accuracy is in most cases spurious. The figures for veterans compensation and pensions are taken from *Consolidated Financial Statements of the United States Government, Prototype*, U.S. Treasury, 1977.

6. See John W. Kendrick, *The National Wealth of the United States*, (New York; The Conference Board, March 1976.) Kendrick defines the national wealth as all tangible capital (structures, equipment, land and inventories) plus net foreign assets, and estimates it at $5.7 trillion at the beginning of 1976.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

(more than twice the GNP) at the latest estimate, compared with $670 billion (85% of GNP) reported a decade or so ago.

The Broadly-Defined Deficit

Table Nine summarizes the main components of the broadly-defined deficit for fiscal year 1977, and illustrates the extent to which unfunded accruals dominate the total.

This $180 billion total depends heavily on incomplete data, and is presented mostly for illustration. However, if anything, it is highly conservative for three principal reasons:

1. The cash flow calculations in Table Seven are cut off at a finite time horizon. For example, the time horizon for the OASI and DI programs is seventy-five years, while that for military pensions and for Veterans compensation and pensions is twenty-five years or less. Use of a more distant time horizon would produce higher estimates.
2. The total does not include the many other federal programs with unfunded liabilities (which I am at present unable to quantify). Examples, most of which have no assets or earmarked taxes, include: unemployment compensation, Aid to Families with Dependent Children (AFDC), Supplementary Security Income (SSI) for the aged, blind and disabled, and Medicaid.
3. The accrual of unfunded liabilities in the public employee pension funds of states and municipalities is not included. The aggregate unfunded pension liabilities of all fifty states are believed to be in the neighborhood of $60 billion. For example, the combined public retirement systems of the Commonwealth of Massachusetts, all of which are completely unfunded, are estimated to have outstanding liabilities of about $11 billion accruing at a rate of $1 billion annually.[7]

However imprecise the estimates, it is evident from the data examined that, on an accrual basis, the public sector deficit almost certainly is in excess of four times the official 1977 figure of $45.0 billion. It is at present impossible to quantify year-to-year changes in the broadly-defined deficit, but the data on unfunded liabilities outstanding indicate that it has

7. Computed from *Report of the Funding Advisory Committee and the Retirement Law Commission to the Governor and General Court of Massachusetts*, October 1976, p. 9.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

grown very substantially in the past decade.

Deficit Spending and the "Wedge"

The budget deficit reflects an imbalance between taxes and expenditures. In principle, a change in the deficit could originate from either (or both) of two distinct policies: an increase in government spending, or a fall in tax revenues. A spending increase diminishes economic incentives, whereas a cut in tax rates (at least incipiently) enhances them.[8] One of the symptoms of an increase in spending commitments would be a large budget deficit in the broadly-defined sense. Consequently, the broadly-defined budget deficit may serve as a measure of the extent to which taxes in the future will be higher than presently legislated.

Is a supplier willing to sell merely because there is demand for his product? Conversely, does a buyer purchase the commodity merely because there is a forthcoming supply? Surely not. The supplier wants to sell because he expects a profit, and the demander wants to buy because he has a use for the product. Supply does not create its own demand, as John Maynard Keynes pointed out forty years ago. But there is a corollary: neither does demand create its own supply.

Incentive effects, though often overlooked, are crucial to a correct understanding of the economic impact of taxes and government borrowing. What generates both supply and demand is the drive to exploit the large gains from specialization and trade that potentially exist in a modern economy. Central to classic economic analysis is the proposition that supply is no less important than demand, and that the path of the economy is governed in part by the incentive to work and produce. Factors which artificially interfere with this incentive are known as the "wedge."

Consider for a moment Figure 1 which hypothetically depicts the supply and demand curves for any commodity. Under free market conditions the quantity on the market corresponds to the point where the two curves intersect. Only at this quantity is the price paid by the buyer precisely equal to the price received by the seller. The equilibrium point

8. From this point of view, a tax rebate ought to be classified as additional spending, because it is a transfer payment and does not affect current tax rates.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

in Figure 1 is governed by a delicate balance of incentives.

As an illustration of the "wedge," introduce a 5% sales tax, the proceeds of which are transferred outside the market. A discrepancy of 5% is created between the price received and the price paid. The price per unit received by the supplier is lowered, and supply is discouraged. The price per unit paid by the demander is raised, and demand is curtailed. Thus, the tax is a disincentive to the system and takes the shape of a wedge in Figure 2. The thick end of this wedge corresponds to a 5% vertical distance between the two curves.

A "wedge" between demand and supply occurs whenever an economic disincentive is introduced. Such disincentives arise not only from tax-financed government spending, but from *anticipated* spending financed by government debt. Disincentives are also generated by any outlays (whether socially useful or not) for which there is no private profit (e.g., those required for compliance with environmental protection, occupational safety, and other programs). The social value of such programs is not in question here, but merely their effect on private incentives and economic activity.

There are many economic and financial ramifications of the disincentives created by an increasing "wedge." Two of these ramifications are discussed briefly in this article. The first concerns the incentive to save and to invest as it relates to private fixed non-residential investment. The second concerns the valuation of securities.

Implications for Capital Formation

The analysis of capital spending wedges is similar to the analysis of a direct tax. The yield to the ultimate saver on investment required before taxes differs from the yield accruing after tax, as shown in Figure 3.

The capital-spending wedge consists of all externally-introduced discrepancies between the pre-tax cutoff rate for new projects and the effective after-tax return to the ultimate owners of the firm. The larger the wedge, the less saving and investment will take place. Factors contributing to the wedge include profit taxes, regulatory restrictions and, indirectly, inflation. What counts in this regard, however, are not only present taxes and regulations, but future prospective taxes and regulations. Hence, the significance of the budget deficit.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

In the light of the behavior of the broadly-defined budget deficit during the past decade, the performance of plant and equipment investment should be no surprise. During the past ten years, the trend of *gross* private nonresidential fixed investment as a percentage of GNP has been fairly stable. What is far more significant is that *net* additions to plant and equipment (after depreciation at replacement cost) have fallen precipitously. As spending commitments and the expected burden of future taxation have mounted, so net additions to plant and equipment have slowed. Table Ten provides information describing these phenomena.

If anything, the data in Table Ten understate the worsening capital investment trend. For example, the Department of Commerce and McGraw-Hill Economics Department estimates that $7 billion of the $17 billion net fixed investment that occurred in 1976 was attributable to EPA-required pollution-control equipment or OSHA-required occupational health and safety capital. Capital spending necessary for compliance with other government regulations is not quantifiable. Graph I shows the investment data both including and excluding EPA- and OSHA-mandated capital outlays. A repetition of the calculation in Table Ten for the nonfinancial corporate sector alone, net of EPA- and OSHA-outlays, suggests that net investment in profit-oriented plant and equipment was barely even positive in 1975 and 1976.

Implications for Equity Markets

Deficit-financed transfer payments also have implications for the behavior of equity investments. As such spending increases, it implies a higher tax burden both currently and in the future. Since the value of an investment reflects the stream of after-tax economic profits — discounted at a rate which appropriately reflects risk — any increase in present and/or future tax burdens means lower prices for equities through two principal channels. Increased taxation of personal income and property implies lower activity, and therefore lower corporate profits. Increased taxation of corporations would imply still further reductions in after-tax profits. On both counts, stock prices should be expected to fall as and when the market anticipates or perceives an increase in deficit spending.

Graph II illustrates the phenomenal decline in the real value

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

of corporate equities over the ten year period during which the broadly-defined budget deficit was growing at a very rapid clip.

In sum, deficit-financed spending creates a future "wedge" as well as a present "wedge." The future "wedge" discourages capital formation and therefore economic growth. Implications for the performance of security prices (and asset portfolios such as pension funds) are far-reaching. To the extent that the deficit results from increased government transfer payments (either present or future), an increase will depress stock prices. This is generally what has occurred in the past ten years.

The government's accruing deficit has a non-uniform impact on the stock market. The additional cash requirements of increased long-range spending commitments would impact all companies, but particularly those in which a large portion of earnings are to be realized in the long-range future. The reason is simple: these "growth" companies are the ones that will be predominant 20-30 years from now when Social Security and other long-range liabilities come due for payment. There would be a proportionately large impact in the price-earnings ratios of "growth" companies. Again, this is what actually happened, particularly in 1972/73. Coincidentally or otherwise, this was a period of enormous increases in the government's long term spending commitments.

Conclusion

The official budget deficit is but a small piece of the total picture of government liabilities which must be financed by future taxes. The progeny of innumerable government spending initiatives over the past forty-five years is responsible for most of the broadly-defined government deficit. Virtually all of these programs are in what officials in Washington call the "uncontrollable" portion of the budget.[9]

Without surgical reform of existing legislation, there seems to be no prospect of a turnaround in the uninterrupted and rapid growth in the broadly-defined deficit. Yet what incentive remains in our economy to invest and to grow could be extirpated as tax and regulatory burdens continue to mount. Until corrective measures are taken by the government to

9. "Relatively uncontrollable" outlays are defined as those which the Executive Branch cannot change without enabling legislation.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

reduce economic disincentives, the following results can be expected:

1. Rates of taxation on income and production will continue to increase.
2. Incentives for capital formation and economic growth will remain at today's very low levels.
3. After-tax economic profits, dividends, and the market values of firms will decline in real terms.
4. High-growth companies will continue to carry a disproportionate share of the burden of taxation, with resulting curtailment of their growth prospects.

Much further research is needed to quantify the broadly-defined public sector deficit more precisely.[10] This will take a long time. Meanwhile, the approximate calculations suggested in this study may provide an indicator of ongoing developments.

10. In 1976, Secretary of the Treasury William E. Simon initiated efforts to produce annual consolidated financial statements for the federal government, and a prototype report building upon earlier work by Arthur Andersen & Co. was published. Ultimately these documents may provide more comprehensive estimates of future spending commitments than are now available.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

TABLE ONE

Fiscal Year*	Unified Budget deficit (–) or surplus (+)
1968	$ –25.2 billion
69	+ 3.2
70	– 2.8
71	–23.0
72	–23.4
73	–14.8
74	– 4.7
75	–45.1
76	–66.4
77	–45.0
78**	–61.8
79**	–60.8

* Beginning with 1977, the fiscal year begins October 1 rather than July 1. For the "transition quarter" (T.Q.) between fiscal years 1976 and 1977, the Unified Budget deficit was $13.0 billion.
** Projected.

TABLE TWO

Federal Cash Requirements
$ billion

Fiscal Year Year	Unified Budget deficit(–) or surplus(+)	Off-Budget deficit(–)	Other sources(+) and uses(–) of cash	Borrowing(–) or debt redemption(+)
1968	$ –25.2	–	$ +2.1	$ –23.1
69	+ 3.2	–	–2.2	+ 1.0
70	– 2.8	–	–1.0	– 3.8
71	–23.0	–	+3.6	–19.4
72	–23.4	–	+3.9	–19.4
73	–14.8	$– 0.1	–4.4	–19.3
74	– 4.7	– 1.4	+3.1	– 3.0
75	–45.1	– 8.0	+2.3	–50.9
76	–66.4	– 7.2	–9.3	–82.9
77	–45.0	– 8.7	+0.2	–53.5
78**	–61.8	–11.5	+7.4	–66.0
79**	–60.9	–12.5	+0.1	–73.0

Note: Totals in this and later tables may not add due to rounding.
** Projected.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

TABLE THREE

Federal Borrowing (–) or
Debt Redemption (+) by Source
$ billion

Fiscal Year	Total	Federal Reserve	State & Local	Private Sector & Foreign
1968	$ –23.1	$ –5.5	$ – 2.6	$ –15.0
69	+ 1.0	–1.9	– 0.4	+ 3.3
70	– 3.8	–3.6	– 2.6	+ 2.4
71	–19.4	–7.8	+ 3.5	–15.1
72	–19.4	–5.9	– 0.7	–12.8
73	–19.3	–3.8	– 2.0	–13.5
74	– 3.0	–5.5	– 0.1	+ 2.6
75	–50.9	–4.3	– 3.1	–43.4
76	–82.9	–9.7	– 7.8	–65.4
T.Q.	–18.0	–2.0	+ 0.4	–16.4
77	–53.5	–8.3	–14.1	–31.1
10 year total	–292.3 (100%)	–58.3 (21%)	–29.5 (10%)	–204.4 (70%)

Note: T.Q. = transition quarter.

TABLE FOUR

Government Borrowing (–) or Debt Redemption (+)
$ billion

Fiscal Year	Federal	Federally-sponsored	Federally-guaranteed	State and local*	Total Government**
1968	$ –15.0	$ – 2.6	$ – 5.6	$ – 4.6	$ –27.8
69	+ 3.3	– 4.5	– 7.8	–11.6	–20.6
70	+ 2.4	– 7.8	– 2.3	– 7.1	–17.3
71	–15.1	– 0.6	–12.2	–18.5	–46.4
72	–12.8	– 4.7	–15.6	–14.7	–47.8
73	–13.5	–13.2	–14.0	–11.7	–52.4
74	+ 2.6	–14.8	– 6.2	–17.7	–36.1
75	–43.4	– 8.2	– 5.7	–12.0	–69.3
76	–65.4	– 4.7	–10.3	– 8.1	–88.5
77	–31.1	–11.4	–14.1	– 8.0	–64.6

* Net of acquisitions of federal securities.
** Including federally-sponsored and federally-guaranteed borrowers.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

TABLE FIVE

Public and Private Sector Borrowing
$ billion

Fiscal Year	By or through Government	All Private Debt Instruments	Ratio of Government to Total Borrowing (percent)
1968	$ 27.8	$ 60.3	32%
69	20.6	74.2	22
70	17.3	72.8	19
71	46.4	61.4	43
72	47.8	95.5	33
73	52.4	141.8	27
74	36.1	145.3	20
75	69.3	98.4	41
76	88.5	109.6	45
77	64.6	218.6	23

Note: Government-sponsored and guaranteed borrowing is treated as government borrowing.

TABLE SIX

Government Debt Outstanding
for Consolidated Federal, State and Local Governments
$ billion

End of Fiscal Year	Federal*	Federally-sponsored	Federally-guaranteed	State and local**	Total
1967	$ 193.6	$ 4.8	$ 90.6	$ 82.9	$ 371.9
68	208.6	7.4	96.2	87.5	399.7
69	195.2	22.0	104.0	99.1	420.3
70	194.4	32.3	106.3	106.2	439.2
71	209.5	32.9	118.5	124.7	485.6
72	222.3	37.6	134.1	139.4	533.4
73	235.9	50.8	148.0	151.0	585.7
74	233.3	65.6	154.3	168.8	622.0
75	276.7	73.8	160.0	180.8	691.3
76	342.6	78.5	169.8	188.9	779.8
77	390.1	91.0	183.9	197.3	862.3

* Excludes Treasury and agency securities held by the Federal Reserve and by state and local governments; state & local borrowing is net of changes in holdings of government securities.
** Net of holdings of federal securities.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

TABLE SEVEN

Unfunded Liabilities of Selected Federal Programs
September 30, 1977
$ billion

	accrued liabilities (discounted cash flow)	
	total	unfunded portion*
Benefits of Federal Employees, etc.		
Civil Service retirement & disability	$ 249.0	$ 116.0
Federal employees death, disability, etc.	7.4	7.4
Military retirement & disability	325.0	175.0
Veterans' compensation & pensions	113.4	113.4
Foreign Service retirement & disability	2.7	1.6
Social Security Programs		
Old age & survivor's insurance (OASI)	7,304.0	3,138.3
Disability insurance (DI)	1,661.4	318.1
Medicare (HI)	890.3	241.6
Railroad retirement system	48.3	15.0
Medicaid	unavailable	
Unemployment compensation	unavailable	

• Amount attributable to present wage-earners or beneficiaries only, net of earmarked taxes.

TABLE EIGHT

Unfunded Accruals of Selected Federal Programs
1977 or nearest fiscal year

	annual amount accruing
Civil Service retirement & disability	$ 9 billion
Military retirement & disability	22
Veterans compensation & pensions	unavailable
Old age and survivor's insurance (OASI)	72
Disability insurance (DI)	12
Medicare (HI)	unavailable
Railroad retirement system	1
Total	$116

* Or nearest fiscal year for which published data exist.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

TABLE NINE

The Broadly-Defined Public Sector Deficit
Fiscal Year 1977
$ billion

	deficit (–) or surplus (+)
Direct federal borrowing*	$ – 31
Borrowing by federally-sponsored enterprises	– 11
Borrowing under federal guarantee programs	– 14
State and local borrowing	– 8
Annual accrual of unfunded federal liabilities**	–116
Total	–180

* Excluding amounts absorbed by the Federal Research and state and local governments.
** Includes only major programs listed in Table Eight.

TABLE TEN

Indicators of Nonresidential Capital Investment

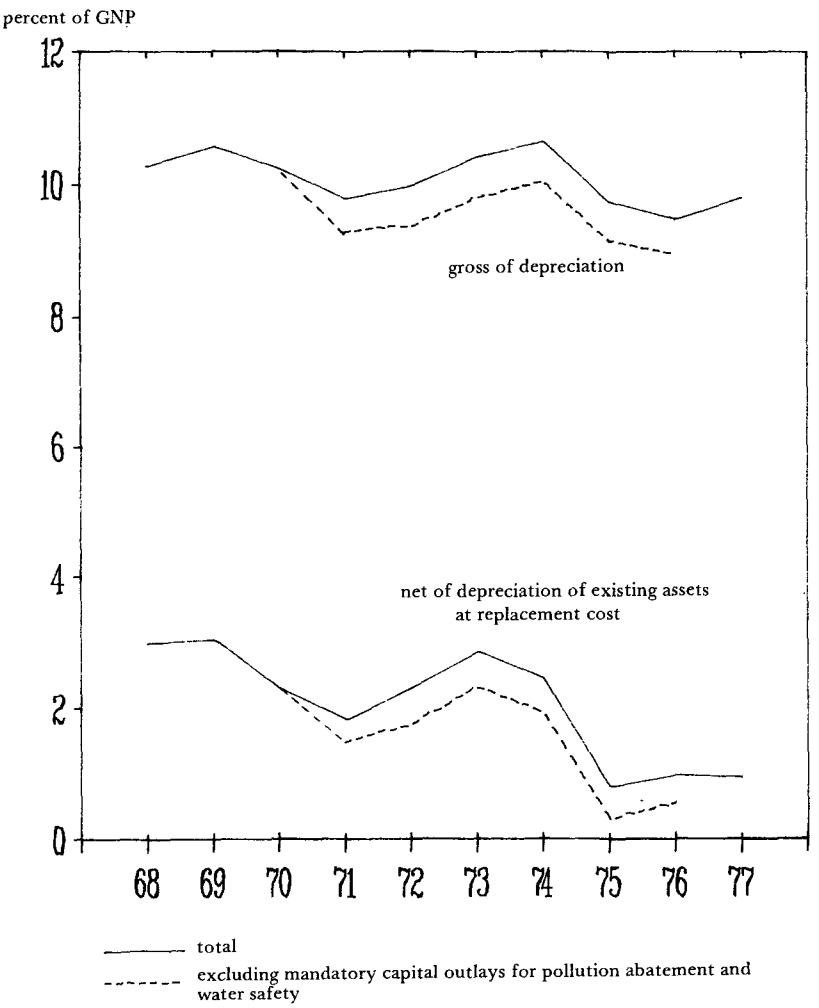
Calendar Year	Gross Nonresidential Fixed Investment		Net Nonresidential Fixed Investment	
	$ billion	percent of GNP	$ billion	percent of gross
1968	89.3	10.3%	25.9	29%
69	98.9	10.6	28.5	29
70	100.5	10.2	22.5	22
71	104.1	9.8	19.5	19
72	116.8	10.0	26.7	23
73	136.0	10.4	37.4	28
74	150.7	10.7	34.7	23
75	149.1	9.8	12.4	8
76	161.9	9.5	16.7	10
77	185.6	9.8	18.0**	10**

* Equals gross investment minus double-declining balance depreciation computed at replacement cost.
** Private estimate.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Graph I

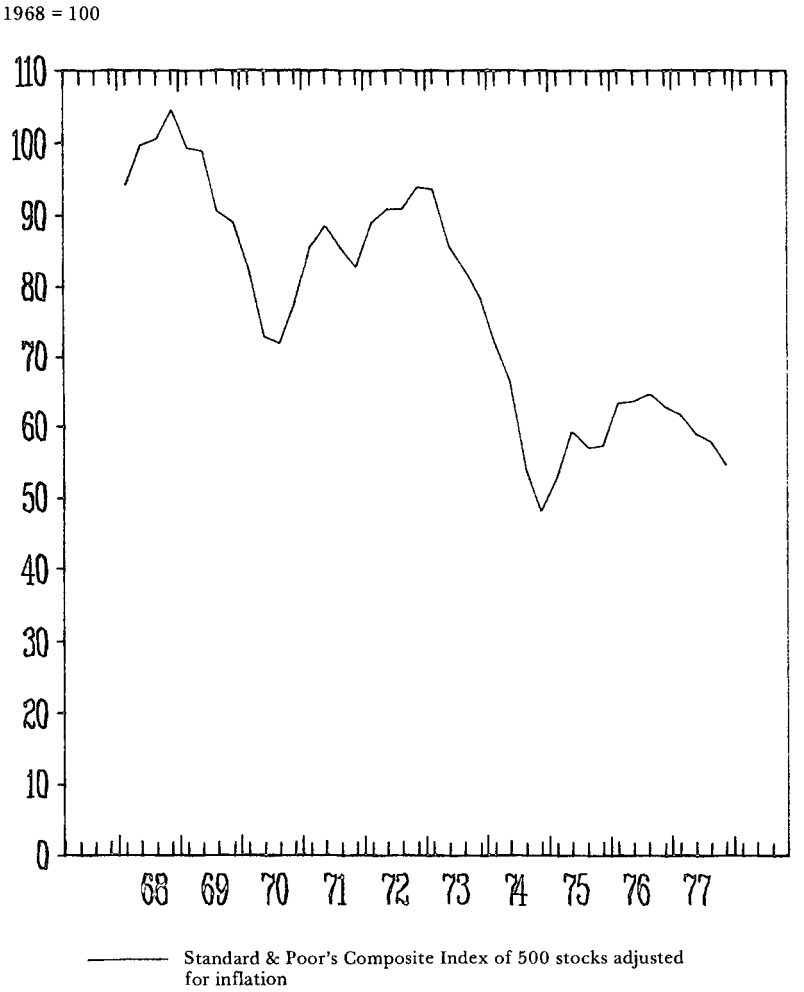
Private Nonresidential Fixed Investment



LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Graph II

Performance of the U.S. Stock Market
net of inflation



LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Figure 1

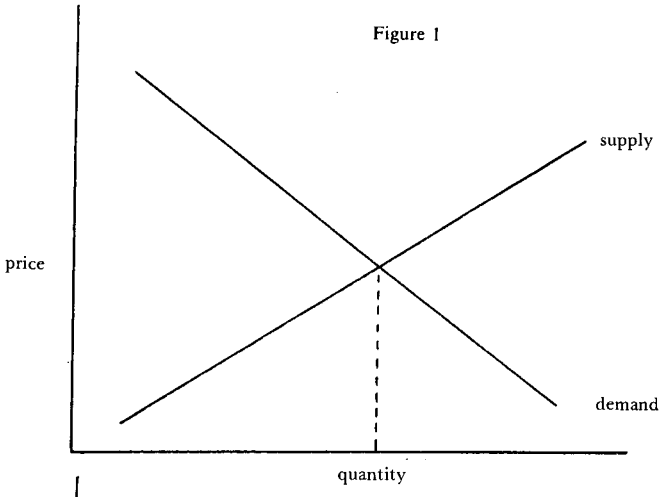


Figure 2

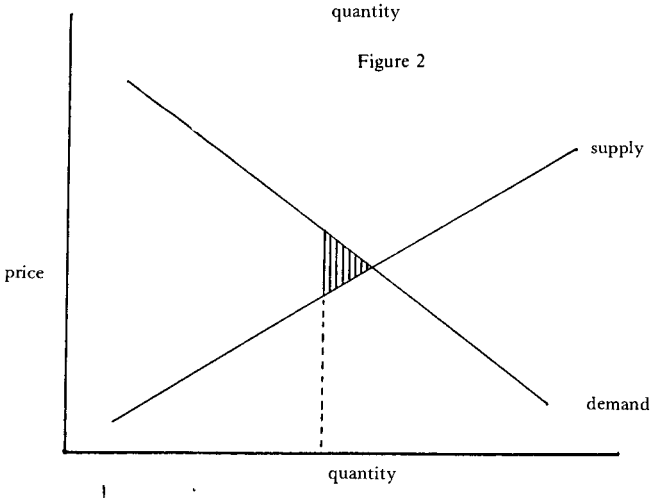
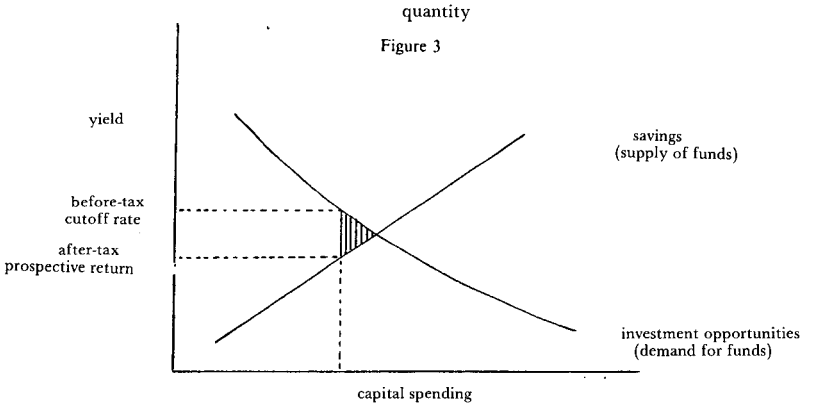


Figure 3



LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Airline Deregulation: Getting from Here to There

ALFRED E. KAHN

Fundamentally, the airline industry is structurally suited for effective competition. Economics of scale are evidently quite limited, and barriers to entry – except for the Federal Aviation Act and the CAB itself – relatively low. This is true of entry into the industry itself *de novo*, but even more true of existing carriers entering into new markets, since the principal physical plant is itself mobile. I believe we should definitely move toward deregulation – gradually. We should begin with the encouragement of more price competition.

In my view we should be receptive to proposals by the scheduled airlines to compete with supplementals by offering special combinations of services and fares designed to enhance the competitive viability of the scheduled service itself, notably by filling empty seats on scheduled flights.

This general prescription raises extremely interesting and difficult questions about the proper conditions for effective competition between scheduled carriers on the one hand and charters – specifically tour operators and supplementals – on the other. These questions include what kinds of cost criteria, if any, to apply to these special fares, the proper definition and measurement of short-run and long-run marginal costs, the proper limits of price discrimination, definition and enforcement of prescriptions against predation, and, more generally, how to preserve effective competition in the market place as carriers are permitted increasing freedom to price. These constitute the most interesting questions now facing us.

I believe we should be particularly receptive to proposed new services with a low price dimension. I refer here not to the mere verbal promises of low fares, but to the offer of a plan that backs up that promise with a credible plan for low-cost operations, with high break-even load factors. Such entry is the most effective device for holding cost-inflating service rivalry in check.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

In moving in this direction, however, we cannot ignore the question of whether or not discount fares of various kinds are, as the statute puts it, unduly discriminatory.

The answer to this question is neither obvious nor simple.

A reduced fare for genuine standby service is obviously in itself not discriminatory: the passenger is buying a distinct (and inferior) service, with a marginal cost anywhere down from the regular fare to zero.

But, you may remonstrate, if a plane would otherwise go out with seats empty, is not the marginal cost below the regular fare for all the passengers, rather than just those who happened to opt for standby service? Would not the only non-discriminatory price be the one that cleared the entire market — i.e., equated the total number of seats on the plane with the number demanded — on every flight just before departure time?

One answer is that one of the things the regular passenger buys is an advance assurance of a seat, at a fixed price, as well as some reasonable possibility of being able to make reservations in advance on a flight of his choice; he is also paying for the privilege of not showing up at flight time without having to pay a penalty. All of these aspects of the service have a higher marginal cost than does standby service. Scheduled service is marginally responsible for a carrier's incurring capacity costs; standby, which corresponds to sales of gas or electricity on an incompatible basis, is not.

Lower rates for charters, similarly, are not in themselves discriminatory. In charter service, the unit of sale is the entire plane, at an implicit price per seat equal to the average total cost of a flight 100% full. The risk of a lower load factor is transferred to the tour operator, and through him, in large measure to the ultimate passenger, who bears the burden of guaranteeing the operator a sale in advance, with a heavy penalty for no-shows, and a risk that if the load factor falls far enough below 100%, the plane will not depart. Both the short-run and the long-run marginal costs of this kind of service are clearly far below those of regular scheduled service.

On the other hand, I think there can be no question that many of the restrictions imposed on charter flights go far beyond what is necessary to assure the kind of risk shifting I have just described and the low-marginal costs it entails, and are therefore clearly discriminatory.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Varieties of Price Discrimination

The most obvious case is the historic attempt to confine the privilege of flying on charters to affinity groups. Other discrimination cases include the long advance purchase requirements, the minimum stay (this blatant discrimination obviously prevails on scheduled service as well: there is absolutely no inherent reason why the marginal or average cost of providing service to travelers who stay, say, 22 to 45 days, is in any way less than for passengers whose trips must be much briefer), the prohibition of fillups (which in fact contribute positively to the likelihood of securing the high load factors that make charters cost-justified), the requirement that the traveler purchase various ground packages, the designation of minimum group size, the limits on the substitution, and the obligation to return with the group. All of these restrictive rules were clearly designed for protectionist reasons: to confine these lower fares to the presumably demand-elastic customers, to prevent leakage into that market of the demand-inelastic customers, and to protect the scheduled carriers against excessive loss of traffic. They are, in short, designed to effect the separation of markets that is necessary for price discrimination to be practiced, and, in the process, they clearly harass and confuse passengers and unnecessarily degrade the quality of service received.

The most interesting and difficult cases of price discrimination are the discount fares that have been offered in great profusion during the last year by the scheduled carriers, which provide advance reservation of guaranteed seats on regularly scheduled flights at low rates, subject to certain restrictions. These have included requirements for advance reservation, advance ticket purchase, and minimum stay, and a penalty for no-shows or cancellations. In the case of budget fares, passengers are uncertain until as little as a week before flight time about the particular day and time of departure and, in the case of part charters and charter transfers, the same restrictions apply as apply to charters themselves. The transfer is granted at the option of the carrier. In all cases a carrier sets limits, varying with the day of the week, season of the year and on the number of seats made available at these rates.

The theory is, of course, that these fares will be used only to fill seats that would otherwise go empty. They, therefore, represent a form of peak load pricing and – paradoxically, in

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

view of the fact that the reservation must be made weeks in advance – they partake of the character of standbys – anticipatory standbys, as it were, with the carriers estimating the number of seats that they can safely offer at these low rates. The carriers say they can make these advance commitments without later having to deny regular fare-paying customers reservations because of the accuracy of their forecasting techniques and their conservation in determining the number of seats they will offer at these fares.

In many ways, therefore, the marginal costs of this business, both long and short-run – including the opportunity cost of denying places to other passengers – are less than those of regular service, for the same reasons that apply to standbys: these are off-peak rates, and the limitation on the number of seats made available at these low prices is a form of interruptability, such as is frequently practiced in the distribution of gas and electricity. The passenger who calls for a regular reservation has a greater likelihood of obtaining a seat; the greater that likelihood, the more it costs in the long run to provide. The purchaser of the Super-APEX stands a greater chance of being told that the number of seats available has been exhausted.

But, in contrast to ordinary standbys, these fares are substantially discriminatory. Many of the restrictions on their availability, closely resembling the ones imposed on charter passengers, are clearly aimed at confining them to demand-elastic customers. Indeed, the discrimination is even more blatant here than in the case of charters, since these tickets are on regularly scheduled flights, and since, apart from the rather mild penalty for cancellation (and some of the timing uncertainties of budget service), the customer gets the same assured reservations, far in advance, as the normal fare-payer.

Moreover, if the availability of seats is correctly calculated so that these are truly anticipatory standbys, with the result that the short-run marginal cost is very low, then it is just as clearly very low for the regular fare-payer, who may call on the very same day to make a reservation on the very same flight, but if he fails to utter the magic words, "Super-APEX," pays twice as much.

The question of whether these fares, and particularly the last group, are discriminatory is thus a fairly easy one. But an

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

affirmative answer to that question is not a sufficient basis for prohibiting this kind of pricing, on either economic or legal grounds. The economic case for price discrimination in situations in which the marginal costs are below average is a familiar one: so long as the lower-fare traffic covers its marginal cost, it is economically efficient to take it on; and so long as the demand for the lower-fare services is sufficiently elastic that the discounts will bring in additional net revenues, the customers discriminated against cannot be injured and may actually be benefited.

The Proper Focus of Regulatory Concern

Although we spend a great deal of time evaluating these special fares and trying to devise standards by which to judge them, the overriding responsibility and concern of regulators must ultimately be to preserve and accentuate the competitiveness of this industry's market structure, as the principal means of protecting the interest of passengers. This means not only that we must be alert to possibly predatory price cuts – to which I have alluded only in passing – as we obviously were in dealing with the transatlantic fares that purported to be responses to the Laker Skytrain. Much more importantly, we must liberalize the conditions of entry and exit, leaving those decisions to the unfettered discretion of management. This is the best possible protection for passengers, regular fare-payers, and discount passengers alike.

This means, among other things, we should be constantly considering the ways in which we can loosen the fetters we now impose upon different segments of the industry. Here, as in the case of entry, if we are not to take the big bang approach, we must try to introduce the liberalizations as much in step as possible, in the interest of preserving equality of competitive opportunities – loosening the restrictions on the incumbents as well as on new entrants, on supplementals, tour operators, and the scheduled carriers, on the combination carriers of freight and the all-cargo carriers, on the airlines traditionally restricted to international traffic as well as to domestic routes, and to foreign carriers as well as domestic.

During the next several years I look to a regime less hostile to rate cuts, selective or general, and more hospitable to entry – I look forward to a more variegated airline industry

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

structure, in which the traditionally rigid geographic and functional boundaries between different carriers and categories become blurred and governmentally-protected spheres of influence less distinct – a structure that offers the maximum possible assurance of the continuation of competitive spur, and that offers exciting new opportunities for managerial enterprise. And, I look for an increasingly variegated set of price and service options, competitively offered to passengers and shippers.

EDITOR'S NOTE: The above article has been selected with permission from a chapter which will be published this April in an anthology entitled *Regulating Business: The Search For An Optimum*. The publisher is the Institute for Contemporary Studies, Suite 811, 260 California St., San Francisco, California 94111.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Tuition Tax Credit Proposals: An Economic Analysis of the 1978 Packwood/Moynihan Bill

E.G. WEST

The late 1970s are witnessing a flurry of new activity to revitalize American education. The required new stimulus, it is widely believed, can come only through the increase of educational choices, the reduction of the monolithic bureaucracies in education, the encouragement of genuine competition, and the acceptance of innovation and greater flexibility. Parents have been using their own initiative to seek legal alternatives to public schools that would not infringe upon the compulsory education statutes. The latest reports to the Department of Health, Education and Welfare suggest that in some towns the public schools and high schools are the most dangerous places for young people to be. Not waiting for such official pronouncements, parents have for many months been taking their own actions. This new mood among many parents has given rise to a rash of "learning exchange networks," travel study programs, independent home-study courses, tutorial instruction, and small, nonpublic "family" schools.

Previously such attempts have failed in most cases because public school administrators have succeeded in arguing that the education provided through alternative channels was not "equivalent" to that of the public school. Today the courts seem to be less impressed by such "equivalency" tests; this is probably due to the accumulating evidence of public school failure.

The frustration of parents was recently neatly summed up in a case heard in Maine in which a criminal action had been brought against a mother who refused to send her child to a local public school and was using the alternative "home-study educational program." The parent, complaining of the monopolistic nature of compulsory public schooling, asserted:

> We are forced to accept this service whatever our opinion of the quality of the service may be. Not only is there no alternative available but we are not even allowed to refuse the State offers if we don't like it . . . .

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

> Why does the burden of proof have to rest on the parents, to show that they can teach their children? I am trusted to provide adequate food, shelter, clothing and medical care for my children without any direction or supervision from the State . . . Why can't I be trusted to educate them also?
>
> The parents have the ultimate responsibility for raising the children, whose time and energy is being appropriated and who bear the ultimate consequences of educational failures. It is not reasonable to deal out the responsibility to the parents, the consequences to the children, and leave all the authority with the schools.

It is interesting that in this case the court dismissed the criminal action against this family. Similarly, the Vermont Supreme Court rejected, in 1976, criminal actions brought against several parents for sending their children to a school that was not approved by the state. The famous *Pierce* case of 1922 seems to be receiving a reappraisal in the courts and new discussion is being generated on the interpretation of the First Amendment.

But although the *Pierce* case decided half a century ago that the state could not compel students to be educated in public schools, for most parents there is a *de facto* compulsion in the sense that they cannot realistically afford an alternative since their money is pre-empted through educational taxes that finance one particular kind of school – the public school.

It is in this context that the new effort in 1978 to press legislation providing tuition tax credits seems to be a crucial event in the history of education and of public finance generally. Senators Bob Packwood (Republican - Oregon) and Daniel Moynihan (Democrat - New York) presented to the Senate in January 1978 a proposal aimed at stimulating diversity and excellence in education by attempting to partially overcome the inability of many parents to afford alternatives. Their bill would provide a tax credit, subtracted directly from the amount of taxes owed, for tuition expenses paid by an individual for himself, his spouse, or his dependents. The amount of this credit would be 50 percent of tuition payments up to a total credit of $500 per student. The credit would be refundable to low income taxpayers. This means that "if the taxpayer is entitled to a credit greater than the

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

amount of his tax liability, the difference will be refunded to him in cash." The proposal, if adopted, would take effect in January 1980.

Supporting their proposal, Packwood and Moynihan argued that private elementary schools have lost 35 percent of their enrollment in the last ten years. Private high school enrollment around the country *rose* by 18 percent. The same kind of experience was occurring in higher education; the tax credit proposal was aimed at arresting the decline in this sector also. The reasoning was the same; the authors argued that unless this was done America would lose some of its pluralism and diversity.

This article critically assesses the Packwood/Moynihan proposal under the following three headings: first, the degree of benefit to the children of low income families; second, the total costs to the Treasury; third, the likely fate of the legislation in the light of recent Supreme Court interpretations of the First Amendment. I shall conclude that the supporters of the legislation could make even stronger arguments for it if they relied a little more on important, but elementary, economic logic.

Benefits to Low Income Families

In recent years Congress has considered several bills to permit federal tax deductions for individuals paying tuition at non-public schools. Apart from the legal problems, experience has shown that these bills have confronted considerable political opposition. This is because tax *deduction* favors higher income groups for it provides a benefit that varies positively with income. Since the American income tax system is a graduated one, a benefit gives a greater tax relief to a high-income taxpayer than to a low-income taxpayer.

In an attempt to avoid this difficulty, later bills proposed tax *credits* that gave an income-constant benefit. That is, the creditable amount was subtracted from the taxpayer's bill, not from his income. High and low income taxpayers were to receive the same size benefits as long as both had precredit liability equal to or in excess of the available credit. This modification still faced a serious equity objection, however. The new tax credit systems failed to provide assistance to low-income families who had little or no income tax liability for

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

the credit to offset.

The outstanding feature of the Packwood/Moynihan proposal is that it completely avoids this objection. For this reason, this proposal constitutes the most persuasive and important tax credit plan that has appeared so far. The amount of the credit is 50 percent of tuition payments up to a total credit of $500 per student. But if the taxpayer is entitled to a credit greater than the amount of his tax liability, the difference will be refunded to him in cash. This must be interpreted to mean that where income tax liability is zero then non-income taxpayers will stand to qualify for tuition credits up to $500 per student. It is this provision that has a revolutionary potential for low-income groups. But there is a further point on the side of equity that has not been made in past discussions.

Most of the private schools in America have religious affiliations. As such they have been able to take advantage of the fact that contributions to them are deductible under the tax codes as they relate to charities in the broad sense of that term. Insofar as parents have been able to give "contributions" in lieu of tuition, they have already been receiving the *equivalent* of some tax credit. There is, indeed, some evidence that this has been happening.[1] Clearly this advantage has been made to the benefit of income taxpayers exclusively, and within the income tax paying group it has benefited the higher income individuals progressively. What the Packwood/Moynihan legislation will do is to spread the advantage to the poorer families which use private schools (and these are considerable in number), families which pay no income tax at all.

Finally, although the new proposal is very modest in the size of the tax credits, it will, nevertheless, present at the margin much more opportunity among the low income groups for choice. At present when they elect for private education, they have to pay their share of the public school taxes as well. This opportunity cost will now be offset by the extent of the tax credit — in other words the cost of using the private sector will

1. R. D. Reischauer and R. W. Hartman, *Reforming School Finance*, (Washington, D.C.: The Brookings Institution, 1973, p. 143).

Donald A. Erickson and others, "Crisis in Illinois Nonpublic Schools," Final Research Report to the Elementary and Secondary Nonpublic Schools Study Commission, State of Illinois, (The Commission, 1971; processed).

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

be reduced. Hitherto the privilege of exercising meaningful choice in schooling has been largely concentrated in the hands of the rich. What the new proposal will do is provide "fairer shares in choice." And insofar as choice promotes competition the result will be an education that is more effective and less costly.

Costs to the Treasury

The proponents explain that their legislation will result, according to the Joint Committee on Taxation estimates, in a 1980 revenue loss to the Treasury of $4.7 billion. This calculation omits an important and elementary economic consideration. There is a consensus in conventional economics that monopoly increases costs and competition lowers them. In the absence of the tax credit legislation, or some alternative plan, most participants in the debate agree that in the long run the last vestiges of education in the private sector will virtually disappear. In this event the present near monopoly of publicly provided education will become a full monopoly. For this reason we can expect further increases in costs, and these have not been taken into account in the current reasoning.[2] Conversely, insofar as the tax credits promote choice and competition there will be a new downward trend in costs, not only in the private sector, but in the public sector also. This will mean, in turn, that even though the Treasury may lose a revenue of $4.7 billion, its need for expenditure on education up to, and even beyond, this figure may be less.

With respect to higher education, much depends on the trends in enrollments in the absence of the tax credit. All parties seem to agree that, if nothing is done, enrollments will decline with increasing severity because of the expected increases of costs. This, in turn, will mean a lower investment in professional skills, or what economists call "human capital." To the extent that other forms of human capital formation, such as on-the-job training, are imperfect substitutes for formal higher education, there will be just as much a break in economic growth as there would be if there were a check on *physical* capital expansion. Less growth means less income generated,

2. There is considerable evidence that private schools on the average are able to provide education equal or superior to that provided by the

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

and the latter implies less revenue for the Treasury. Thus, the eventual shortfall for the Treasury in the *absence* of tax credits could be even more than the $4.7 billion a year that Packwood and Moynihan claim to be the cost of their proposals.

Another key aspect of cost concerns possible changes in the whole structure of educational finance that the present Packwood/Moynihan proposal may bring. The present structure relies, to a significant degree, on student loans. The tax credit proposal comes at a time when the student loan system in America is at its lowest ebb in terms of efficiency. To the extent that the tax credit system begins to supersede the conventional loan system it could be an important source of cost saving for future years.

The source of the inefficiency in the American Federally Guaranteed Loan system is the unprecedented rate of defaults. Table 1 illustrates the growth in defaults over the last four years.

Table 1: The Growth of Defaults in U.S. Guaranteed Student Loans, 1974 to 1977

Fiscal Year	*Claims on Defaulted Student Loans Paid by the Federal Government (in millions)*	*Amounts Collected Against Defaults (in millions)*
1974	$55.2	$4.2
1975	71.7	7.6
1976 (15 months)	105.5	10.0
1977 (estimated)	148.8	8.7

Source: *Chronicle of Higher Education*, September 6, 1977.

public schools at lower cost. In the long run, therefore, the encouragement of private schools will mean a reduction in the costs of education to local governments and a reduction in the amount of federal aid sent to them. See, for instance, Robert G. Hoyt's recent article, "Learning A Lesson From The Catholic Schools," in the September 12, 1977 issue of *New York* magazine (p. 50). The author reports that in 64 parishes of Manhattan, 78% of the students were non-White and the majority of them were non-Catholic. The minority students in these Catholic schools have done better on standardized achievement tests. Most interesting of all was the large cost disparity between the Catholic and public schools; the

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

By the end of September 1977, the government was estimated to have paid out $436 million in claims from lenders and to have collected $33.8 million of bad debts. According to the recent study by the General Accounting Office, about one of every six of the $4.5 billion worth of loans made to over four million students under the Guaranteed Student Loan Program was not paid back after the students completed their schooling or withdrew. To "internalize" the cost of these growing defaults, or, in other words, to switch the burden of defaults from the taxpayer to the nondefaulting student class, would mean charging all student borrowers at a rate of interest well over 24 percent per annum! Clearly this program cannot continue in its present form, judging from its recent performance.

There seem to be two primary reasons why the loan system has failed. First, the banks have very little incentive to collect payments on loans once they are defaulted, since the federal government provides a substantial guarantee for payment of these loans. The incentive to default, meanwhile, is quite high and some students even declare bankruptcy in order to avoid repaying. The General Accounting Office's study illustrated the case of a psychiatrist earning about $31,500 a year who owed $8,700 including interest, and a professional basketball player earning $85,000 a year who owed $3,500 plus interest, both of whom never *began* to repay their educational loans.

When first proposed by economists in the early 1960s, it was planned that the loan system would use the already substantial machinery of the income tax establishment to collect interest and repayments. The incentives of individuals to default against the income tax authorities are likely to be considerably smaller than present incentives. (And bankruptcy

Catholic schools' annual per pupil cost is $462 while it costs the public schools $2,647 yearly to educate a child. Of course, private school teachers, especially nuns, receive lower salaries than do public school teachers. However, the main reason for the large differential would seem to be administrative costs. The Catholic schools in New York have one "downtown" administrator for every 600 students while the Board of Education central office has one administrator for every 234 students. Yearly administrative salaries for the Board of Education are at least $67 million; equivalent salaries for the Catholic system are only $250,000.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

cannot be pleaded as an excuse for nonpayment of income tax.) What is interesting about the Packwood/Moynihan proposal is that it can be treated as a return to the philosophy of the loan system as originally intended and described – a system that does use the income tax machinery for collection. It is true that Packwood and Moynihan do not present their plan in such a light, and they speak of the facility as providing state *aid*. Nevertheless, the burden of their argument is that unless their proposal is adopted many students will not receive higher education, and ultimately the government will receive less in tax revenues. Conversely, if their tax credits are successful, users of their system will eventually "pay back" to the income tax authorities a higher volume of tax revenues than they otherwise would. In this sense the Packwood/Moynihan plan can be regarded as a device that *stimulates* a loan system and moves in the direction of efficiency in "lending" in contrast to the present conventional loan system.[3]

It is not being argued here that the cost savings from the replacement of the present loan system would be sufficient to offset the $4.7 billion of cost that the sponsors of the bill estimate. One can foresee, however, no likely improvement in the present loan system and, if anything, defaults are likely to impose *increasing* costs. These can be expected to be of such a magnitude as to make the comparison of the two systems not without some significance.

Judicial Interpretation of the Tax Credit Bill

One possible problem with the tax credit bill, if it is passed by the Congress, must be anticipated. This is the question of

3. Insofar as critics may argue that the provision of tax credits for *human* capital and not *physical* capital results in horizontal inequity, there is an argument for a special "graduate" tax on the accumulators of human capital. The Packwood/Moynihan legislation does not preclude this possibility from discussion. As Senator Moynihan observed (*Congressional Record*, September 26, 1977), the sponsors of the bill are "open to suggestions for modifying and improving it, and look forward to the careful consideration that it will receive as it moves through the Congress."

At the same time it should be remembered that the accumulators of physical capital are allowed certain tax privileges to encourage them to undertake "healthy" rates of growth. A tax credit for human capital, especially at the modest rates proposed in the present bill, might no more than offset the privileges for a physical capital formation.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

constitutionality. Senator Moynihan gives considerable attention to this problem in his report to the Senate (*Congressional Record*, September 26, 1977). His argument can be strengthened considerably, again by demonstration of some economic reasoning.

The possible constitutional difficulty with the proposal according to some critics is that, because the plan provides credits that are refundable (e.g., to individuals who don't earn enough to qualify for income tax), the plan will be transformed into one of tuition reimbursements. These are direct payments that can be spent in parochial schools, and as such they will be regarded as "aid to religion." Again, even without rebates, income tax credits may not be acceptable to the courts because if credits were restricted to parents with children in schools that conformed to government regulations, such regulations would involve "excessive entanglement" (to use the Supreme Court's current terminology) between Church and State. On the other hand, if the credit were available without such regulations the courts would have no evidence that public aid was not being employed to finance the religious component of parochial schooling.

Some experts have replied that since tax credits represent aid to the parents, not to the school or religious organization, they should not be regarded as unconstitutional. If, moreover, the credit is limited to a fraction of tuition paid, it can be argued that it finances only the secular portion of the education.

The fact is that the recent *Nyquist* case refused to allow the distinction of family-directed aid from denominational school-directed aid. Moreover the *Nyquist* court appeared to view any attempt to show that the public subsidy financed only the secular part of education as being fraught with almost insuperable "entanglement" difficulties.

In his response to the Supreme Court's latest stance, Senator Moynihan relies on the argument that the Court itself is wrong in its interpretation of the Constitution. Many (including the present writer) will sympathize with this argument that (historically interpreted) the First Amendment attempted primarily to insure against a national state religion. Some will also sympathize with his claim that tax credits provide modest amounts of aid anyway, and will protect a pluralistic system that was intended by the Founding Fathers.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Senator Moynihan's argument, however, would be more persuasive if he had focused on the Free Exercise Clause of the First Amendment, instead of the Establishment Clause. The Free Exercise Clause states that Congress, in its attitude toward religion, shall make no law "prohibiting the free exercise thereof." The fact is that a system that taxes everybody to support a public school system *prohibits in some degree* the ability of those parents who want to patronize parochial schools from making use of their right to do so. Under such a system, whenever the parent chooses a parochial school he forgoes the opportunity of receiving a "free" education in the government sector. The forgoing of this opportunity, to the economist at least, is the very essence of the term "cost." In other words, a public sector, so financed, automatically imposes *costs* on the private and parochial sector. As such it cannot be denied that the result is some degree of prohibition of religious education and therefore of religion.

Senator Moynihan defends his tax credit system on the grounds that *aid* to parochial schools is legitimate in the strictest historical interpretation of the First Amendment. To the extent, however, that the so-called "aid" is nothing but a return of the parochial taxpayers' public contributions, the correct viewpoint is that a previous "prohibition" affecting the religious sector is cancelled out. It represents the deletion of a previous error rather than a provision of a (debatable) right to *state* help.

Some will argue that, in the case of those who qualify for no income tax but receive the tax credit for education, the state, in the sense of other taxpayers, is indeed involved. Such an argument, however, can be firmly rebutted. First, income tax is not the only revenue source to finance education. Revenues flow from several types of taxes including sales taxes and property taxes which are particularly regressive. It is not unreasonable, therefore, to view the refunded credit to persons who do not qualify for income tax as a refund offsetting other taxes that they pay. Moreover, because a person does not pay income tax in the current period, this is not to say that he will not pay it in future periods of his lifetime. Indeed, the economically correct way to view the individual taxpayer's contribution to education is as a contribution from his *lifetime* income. Over his lifetime he will go through several stages

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

of income levels and social positions. He or she will pay indirect taxes at all of these stages. After leaving school the individual will pay taxes of various kinds on his earnings. When married, but before having children, the individual will contribute probably to direct as well as indirect taxes. When children arrive, the pre-school period of their lives will coincide with continuing tax payments by their parents. The same tax payments will continue through the school age and after.

Table 2 shows one recent piece of investigation on the distribution of costs of public school systems. It revealed that people in the very poorest family income categories were paying nearly 8 percent of their annual incomes in education taxes. Table 3 produces the absolute dollar contributions of families in different income groups. These figures, it should be remembered, related to the 1960 census year. To make them representative of present day conditions we would have to multiply by a considerable inflation factor. Using this table, I have estimated elsewhere that a poor family contributes a total undiscounted lifetime contribution in education taxes of $7,380. We have to remember, also, that the poor typically receive an education that is of a shorter duration than others. So while their cost contributions are lower than average so are their benefits. It is, therefore, not clear that they are not contributing enough to finance their educations entirely.

Finally, it may be retorted that if the burden of our argument is that each individual family pays for its own education through its lifetime taxes, then the correct response of government is to withdraw from education entirely rather than provide tax credits. This, however, does not necessarily follow. The fact that we argue that so far there has been no demonstration that the typical individual family does not pay for its education over its lifetime does not necessarily mean that the same family could obtain the same funds without intervention. It could indeed do this if there were a perfect capital market. In this case the family would pledge its future income and borrow money accordingly. Insofar as there are serious capital market imperfections, however, and some economists argue strongly that this is the case, it is possible that the government can provide the equivalent of a capital market via the tax process. The resultant government facility is a *financial* one rather than an educational one. Individuals would receive

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Table 2: Distribution of Taxes Supporting Public Education
(as a percent of income) 1960 Census Year:

	(Family Income)									
	Under $2000	*2000-2999*	*3000-3999*	*4000-4999*	*5000-5999*	*6000-6999*	*7000-7999*	*8000-8999*	*10,000-14,999*	*15,000 +*
All Taxes										
Whites	7.83	4.72	4.00	3.69	3.37	3.00	2.53	2.14	2.14	2.63
Non-Whites	7.73	4.16	3.45	2.87	2.61	2.55		2.48	2.83	3.08

Source: W. Norton Grubb, "The Distribution of Costs and Benefits in an Urban Public School System," *National Tax Journal*, Vol. XXIV, No. 1, March 1971, Table I.

Table 3: Absolute Dollar Contributions of Whites to Public Education (approx.)

(Family Income)								
$2000	*2000-2999*	*3000-3999*	*4000-4999*	*5000-5999*	*6000-6999*	*7000-7999*	*8000-8999*	*10,000 14,999*
$117	$118	$140	$166	$197	$219	$225	$215	$268

Source: Calculations made of percentage in Table 2 applied to median income of each column.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

financial facilities in the same way as they receive help in the purchase of long-lasting durables such as houses. The important point remains that when the individual family is viewed as spending *its own money* through a simulated loan plan, one can no longer complain that it is relying on *public* funds, or that those funds are *aiding* religion or anything else.

Finally, the possibility remains that *some* individual families will be net receivers from the system; that is, they will receive more in benefits than their lifetime education tax contributions. A loan system of the income-contingent kind, however, will have the same effect *ex post*. When people join such a plan they are uncertain of their future income prospects. They will probably agree to some kind of "insurance" element built into the plan so that should it turn out that they are more prosperous than expected they will contribute more to the revolving loan fund than people in the opposite position. They will do this *ex ante* with the balancing benefit that, should their income earnings fall below those expected, they will enjoy the "insurance" of contributions from others. Again, this is a financial system, not an educational one.

In any case, even if some families do receive more in benefits than they have contributed it is almost impossible to conceive of a family that pays less tax contributions from its lifetime income than the modest amounts of tax credit that are involved in the Packwood/Moynihan bill.

Summary and Conclusion

There is more economic justice in the Packwood/Moynihan bill than the authors realize. In America *everybody* pays taxes including the poorest. The bill provides an opportunity for poor people to retrieve some part of their education taxes and spend it directly. This gives them the extra advantage of exercising choice. Hitherto, choice has been concentrated in the higher income sectors. The Packwood/Moynihan proposal will promote "fairer shares in choice" in education.

Hitherto, middle class families using parochial schools have been able to take advantage of their status as charitable institutions. Contributions to charitable institutions are tax deductible. Some parents have managed to arrange a *quid pro quo* with parochial schools so that their contributions are received in

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

lieu of fees. In this way *income taxpayers* who use parochial schools have been at an advantage compared with poorer users who do not pay income tax. The Packwood/Moynihan legislation will equalize the tax advantages among all income groups who use parochial schools.

The calculation of the bill sponsors of a cost to the Treasury of $4.7 billion in 1980 is a gross overestimate. First, insofar as their proposal will stimulate competition, and since competition is generally acknowledged to put downward pressure on costs, some part of the revenue loss anticipated will be offset by a decrease in necessary expenditures for education. Second, in the absence of a tax credit scheme the consensus is that enrollments in higher education will fall. This means a lower formation of human capital. In turn, this implies a lower rate of growth of the national product. A lower national product, however, means a smaller tax base. The Treasury could end up losing several billion dollars on this account, and the Packwood/Moynihan proposal should be costed on the basis of an alternative revenue scenario that takes a reduced tax base into account.

The proposal could, next, substantially reduce another important cost in the higher educational system — the cost of increasing student loan default rates. Student loan defaults have been increasing because of inadequate incentives to the banks to police the offenders, and also because there are high incentives to student borrowers to default. The Packwood/Moynihan Tax Credit Scheme could stimulate a loan system that uses the income tax machinery as the collection device. This will cut down the incentive to default and the cost of administration of such a "loan scheme" would be much lower than the present loan system.

Stronger arguments could be made in support of the bill with respect to its constitutionality. If the focus is placed on the Free Exercise Clause of the First Amendment, the imposition of general taxes upon non-users of the public system can be interpreted as prohibiting in degree the activities of voluntarily chosen religious schools. What a tax credit scheme does is to focus on the fact that individuals themselves contribute the "public funds" in the first place. The receipt of a tax credit can then be argued to be the cancelling out of a previously prohibited act of government against parochial

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

schools. The tax credit can also be viewed as an attempt by government to provide a *financial* facility. In the absence of efficient capital markets to allow families to borrow money on pledges of their future incomes, the government may well be able, through the use of its income tax machinery, to provide the equivalent of such a loan market. But this, to repeat, is a *financial* facility and not an educational one. The constitutionality of the Packwood/Moynihan legislation, therefore, could not be on firmer ground.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Now Available:

The Roots of Capitalism
By John Chamberlain

A provocative look at the intellectual forces and practical accomplishments that have created American capitalism. "A vastly persuasive case for capitalist theory and practice"—*Barron's*. Hardcover $9.00, Paperback $3.00.

The Wisdom of Adam Smith

Adam Smith may have been the first great economist, but he was no dismal scientist. He was instead a man of great philosophical and historical learning, and his literary style was widely admired. *The Wisdom of Adam Smith* brings together his most incisive and eloquent observations on subjects ranging from political and economic history to morals, philosophy, art, education, war and the American colonies. Compiled by British scriptwriter and playwright John Haggarty, edited and with an introduction by Benjamin A. Rogge. Hardcover $7.95, Paperback $1.95.

Essays On Individuality
Edited by Felix Morley

Twelve distinguished writers and educators examine the place of the individual in contemporary society. The contributors are John Dos Passos, Arthur A. Ekirch, Jr., Milton Friedman, Friedrich A. Hayek, Joseph Wood Krutch, James C. Malin, William M. McGovern, Felix Morley, Helmut Schoeck, Richard M. Weaver, Roger J. Williams and Conway Zirkle. Foreword by Arthur Kemp. Hardcover $8.00.

LibertyPress LibertyClassics

We pay postage on prepaid orders.
To order these books, or for a copy
of our catalog, write:
Liberty*Press*/Liberty*Classics*
7440 North Shadeland, Dept. S3
Indianapolis, Indiana 46250

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Food Stamps and the Spurious Rise in the Unemployment Rate Re-examined

Among the more interesting topics for discussion in the usually dry, technical, and very specialized field of labor force statistics is the effect of noncyclical factors, such as demographic shifts and institutional changes, on the unemployment rate. "Government Statistics as a Guide to Economic Policy: Food Stamps and the Spurious Increase in the Unemployment Rate," by Kenneth W. Clarkson and Roger E. Meiners, which appeared in the Summer 1977 issue of *Policy Review*, provides a stimulating discussion of this question, but in my opinion, arrives at an erroneous conclusion. Their paper states that ". . . the high measured rate of unemployment of recent years can be explained in large part by a new class of individuals who are either largely unemployable or have no need or desire to work, but who, to qualify for various welfare benefits, must officially register for work." They go on to suggest that this "new class" of unemployed persons makes up 2-2.5 percentage points of the officially measured current rate of unemployment. This comment argues that Clarkson and Meiners, by attempting to elevate work-registration requirements from a valid but relatively minor point to the overwhelming factor in evaluating the comparability of current unemployment rates with rates reported in the past, have neglected or over-simplified the effect of other critical factors. Their paper 1) lacks an explicit statement of the underlying question; and in terms of the technical soundness of the statement they make implicitly, 2) gives inadequate attention to plausible rival hypotheses and the possible interactions among hypotheses; and 3) presents an over-simplified view of the labor force dynamics that might result from work registration requirements.

I could not find an explicit and complete statement of the question addressed by Clarkson and Meiners; they implicitly state that they believe that current unemployment rates are higher than past rates obtained under similar economic conditions. I deduced this by combining some of the thoughts

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

in their opening paragraph[1] with the comparisons between unemployment rates in various time periods with similar employment-to-population ratios on pages 43 and 44 and in Table 5. An explicit version of this question might be, "Why, for a given level of economic activity, as represented by the employment-to-population-ratio, are unemployment rates higher today than they were in the recent past?" The lack of such an explicit statement might be excused as a simple refusal to follow the copybook format with slavish devotion, but the formulation of the implicit question is deeply flawed. The two variables (unemployment rate and employment-population ratio), whose relationship is the source of the question, are linked directly by a third variable, the labor force participation rate.[2] Any scientific comparison of two variables directly related to a third variable must rigorously control for exogeneous changes in that third variable.

Are Other Factors Responsible?

One of the major difficulties faced by any investigator seeking to explain the change in a relationship between two economic variables over time is establishing that the change is not an effect of other changes that are taking place at the same time, and, if there is more than one factor at work to cause change, to describe the nature of the interaction among them. Clarkson and Meiners do not convince this reader that factors other than those of their central thesis are not at least partly responsible for the observed changes. One major misinterpretation of alternative evidence, their treatment of the impact of demographic change on the unemployment rate, was particularly noticeable. A standard "weighted" unemployment rate exercise – applying the labor force proportions of several demographic groups at some base period to the actual unemployment rates for those groups in the comparison period –

1. "Many of the supporters of this law pointed to the unprecedentedly high rates of unemployment that continued to exist despite the presence of rapidly improving economic conditions." Kenneth W. Clarkson and Roger E. Meiners, "Government Statistics as a Guide to Economic Policy: Food Stamps and the Spurious Increase in the Unemployment Rates," *Policy Review*, Summer 1977, p. 27.

2. For the algebra behind this statement, see the appendix to this comment.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

finds that the difference between the actual 1976 unemployment rate and a computed rate for 1976 standardized to 1957 labor force proportions is 1.04 percentage points (from 7.68 to 6.64).[3] In other words, if the age-sex composition of the labor force in 1976 had been the same as it was in 1957, while the unemployment rates for age-sex demographic groups remained at the values actually observed for 1976, the jobless rate would have averaged 6.6 percent in 1976, rather than the official rate of 7.7 percent. Other sources of noncomparability, such as changes in the unemployment insurance coverage and duration of benefits, changing patterns of job search or variations in military employment, are considered as separate effects by the authors, but there is no attempt made to address the problem of estimating the combined impact of these changes on the unemployment rate. Intuition suggests that the effect of interaction between variables would be to dilute the direct effect of any single variable. (If the range of other estimates of the effect of this single policy change can be taken as a gauge of the complexity of these interactions and their capacity to mask the direct effect of such a change (as is usually the case), it must be noted that Phillip Cagan has estimated that the registration of welfare mothers added just 0.2 percentage point to unemployment after 1972.[4]) Clarkson and Meiners do not confront the rival hypotheses and variable interactions problems, but simply stress the relatively large magnitude of the adjustments they have reported.

The size of the adjustment to current unemployment rates to account for the imposition of work-registration requirements reported by Clarkson and Meiners, and ascribed by them with such import, are themselves based on an over-simplified theory of the working of the labor market in the face of work-registration requirements. The Clarkson-Meiners theory is that all welfare or food stamp applicants during the period under investigation were not in the labor force (neither working

3. See Paul O. Flaim "The Impact of Demographic Changes on the Unemployment Rate," paper presented to the Nineteenth Annual Forecasting Conference of the New York Chapter of the American Statistical Association, New York, April 29, 1977.

4. Phillip Cagan "The Reduction of Inflation and the Magnitude of Unemployment," in *Contemporary Economic Problems*, American Enterprise Institute, (Washington, D.C., 1977) pp. 15-57.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

nor seeking work) prior to their application for welfare and food stamp benefits and that upon registration at the employment service they were subsequently counted as unemployed. To "correct" the unemployment rate for this effect, Clarkson and Meiners subtract *all* such registrants from both the number of unemployed (the numerator in calculating the unemployment rate) and from the labor force (the denominator) and re-do the division to yield their version of the rate. The assumption that all welfare and/or food stamp registrants were neither working nor seeking work before applying for benefits is unwarranted. Analysts at the Congressional Budget Office have estimated, for example, that there were about 670,000 persons in 1976 who were a) recipients of food stamps, b) not in school, c) between 18 and 65, and d) working from 1 to 29 hours per week.[5] With the exception of those disabled, alcoholic and drug addicted workers or mothers or guardians of dependent children that may be included, these persons would all be included among those who would have been subjected to mandatory registration and should, according to Clarkson and Meiners, be "adjusted" out of the unemployment rate; but the official statistics would have included these people as employed, not as unemployed. There would also be a fairly large group of persons who were looking for work prior to registration for benefits and would use those benefits to reduce the cost of unemployed job search. Clarkson and Meiners themselves refer obliquely to this phenomenon.[6] That the food stamp program only requires work registration every six months or so also complicates the analysis of labor force changes. The official definition of unemployment requires active job search within four weeks of the household interview; non-working food stamp registrants – assuming they (or welfare recipients, for that matter) actually consider that compliance with the work registration requirement is a job-

5. Congressional Budget Office, "Discussion of 'Inflated Unemployment Statistics: The Effect of Welfare Work Registration Requirements,'" Mimeo, June 6, 1977.

6. "Individuals will search more often and for longer periods of time if the relative costs of job search decline. Since the value of welfare programs, such as food stamps, available to the unemployed has increased, the net loss or cost of being unemployed during job search has fallen." Clarkson and Meiners, *op. cit.*, p. 31.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

search activity rather than a mere administrative requirement necessary to obtain benefits – might only be considered as actively looking for work (and defined as unemployed) in one out of six months. Plainly there are more complex labor market mechanisms at work than those assumed by Clarkson and Meiners.

I would like, as a final point, to compare one clear implication of the work-registration theory with some available data. If Clarkson and Meiners are correct and there is a large class of persons who become newly unemployed as a result of registration with the public employment service in connection with welfare and/or food stamp applications, and that the size of this class is of the magnitude they suggest, then one would expect that the proportion of job-seekers using public employment services as a job-search method would be significantly higher in the years following the 1972 imposition of the work-registration requirements than in the pre-1972 years. An examination of *Current Population Survey* data on job-search methods in the years 1970-1976 shows no such increase; in fact the proportions for all years after 1972 were *lower* than in 1970 or 1971. (See Table 1).

Statistics Under Continuous Review

The question of the accuracy and utility of the government's unemployment statistics is one of continuous concern. In fact, the Congress and the President have recently authorized and constituted an official commission, independent of the Labor Department and the Bureau of Labor Statistics, to investigate the issue and report any changes to current usage that would improve the unemployment statistics system.[8] I am sure that the proceedings of the National Commission on Employment and Unemployment Statistics, and the debates that surround

7. *The Current Population Survey* (*CPS*) is a monthly survey of a scientifically selected sample of 47,000 persons that is conducted by the Census Bureau for the Bureau of Labor Statistics. The *CPS* is the source of the official unemployment rate and a vast array of related labor force statistics. For more information on this topic see, *BLS Handbook of Methods*, Report 1910, Bureau of Labor Statistics, 1976.

8. See John E. Bregger "Establishment of a new Employment Statistics Review Commission," *Monthly Labor Review*, March 1977, pp. 14-20.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

them, will help to achieve the goal of improved data on labor market problems. Clarkson and Meiners could make a useful contribution to that goal if they would concentrate their effort on the less sweeping conclusion that the welfare work-registration requirements have had some significant upward impact on the unemployment rate in recent years. If they are able to present a systematic proof of that point, they might then wish to undertake the more difficult task of unraveling the magnitude of any such effect from the tangle of alternative and interactive explanatory variables.

Table 1: Proportion of total job-seekers utilizing public employment services, 1970-1976

Year	*Percent using public employment services*
1970	30.2
1971	30.8
1972	28.4
1973	25.9
1974	26.3
1975	29.0
1976	28.1

Source: *Current Population Survey*, 1976.

APPENDIX: The Relationship of the Unemployment Rate, the Labor Force Participation Rate, and the Employment-to-Population Ratio.

In their recent article, K. W. Clarkson and R. E. Meiners present a table comparing current unemployment rates with rates for past years that had similar employment-to-population ratios. This note will demonstrate algebraically that this comparison is not valid unless explicit account is taken of the labor force participation rate.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Symbols

P = civilian noninstitutional population
L = civilian labor force
E = employed
U = unemployed
N = not in labor force

Definitions

(1) a = unemployment rate = U/L
(2) b = labor force participation rate = L/P
(3) c = employment to population ratio = E/P
(4) L = E + U
(5) P = L + N

Demonstration

Substituting (2) into (5) and solving N yields
(6) N = (1 – b) P.
Solving (2) for L, and substituting (2) and (6) into (5) yields
(7) P = bP + (1-bP).
Solving (1) and (3) for U and E respectively and substituting (1) and (3) into (4) yields
(8) L = cP + a(bP)
when bP = L is substituted for L in (1).
Substituting (8) and (6) into (5) yields
(9) P = cP + abP + (1 – b) P.
Division of 9 by P yields
(10) 1 = c + ab + 1 – b
Solving (10) for a yields

$$(11)\ a = 1 + \frac{-c}{b}$$

$$(11a)\ a = 1 - \frac{c}{b}$$

Conclusions

It is obvious from equation (11a) that any comparison of the unemployment rate and the employment-to-population ratio must consider the labor force participation rate as well. For example, in order for the ratio of unemployment and employ-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

ment to remain constant across time, the participation rate must also be constant. That is, conclusions drawn from unemployment rate, employment ratio comparisons over time without controlling for participation rates will be distorted when the participation rate is changing.

Richard M. Devens

A Rejoinder

In his comment on our *Policy Review* article, "Government Statistics as a Guide to Economic Policy," Devens makes three major criticisms, and each will be examined in turn.

First, Devens states that our paper "lacks an explicit statement of the underlying question." From comments made by our other readers, including academic economists, statisticians, policy-makers and the general public, it is obvious that the underlying question is clear to them. That underlying question is: does the current government unemployment rate contain a bias?

Second, we are charged with ignoring alternative hypotheses in the development of our hypothesis. In our article (pp. 29-31), we reviewed the literature and concluded that the recent major changes in the official unemployment rate could not be fully explained by existing alternative hypotheses. In particular, the major thrust of the Devens argument is that comparisons of the unemployment rate to the employment-population ratio must consider labor force participation. We agree, and have subjected our estimates to the competing hypothesis that the increase in female labor force participation rates accounts for the unprecedentedly high official unemployment rates. In our original article (p. 30), we demonstrated that only two tenths of one percentage point of the 7.8 percent unemployment for September 1976 can be accounted for by the increase in female participation rates.

More importantly, the Devens Appendix — intended to

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

demonstrate unequivocally the error in our analysis — misses the point. If we substitute the original definitions for a, b, and c into his equation (11a), one finds that the rate of unemployment (U/L) is equal to 1 minus the ratio of the employment to population ratio (E/P) divided by labor force to population ratio (L/P). On the basis of this, Devens argues that the labor force to population ratio is the important exogenous factor for explaining recent changes in unemployment rates. A careful investigation of the L/P ratio, however, reveals little change in its magnitude, especially during the early 1970's when the effects of changes in the female labor force participation rate were more prominent. Our hypothesis is that the major change in unemployment rates stems from changes in L, U, and E and that is why we included Table 5 (p. 51) as supporting evidence. Rather than investigating the relationship directly implied by our hypothesis or challenging our discussion of the relative minor impacts of increased female participation on overall unemployment rate, Devens cites an unpublished paper that supposedly demonstrates that if the weights of demographic groups used in the composite index are changed, the unemployment rate will change. Arithmetically, we agree that changes in weights will change the overall calculation, but Devens fails to show why this fact refutes our hypothesis.

Third, Devens thinks our estimates of the bias are too large. The Bureau of Labor Statistics (BLS) has now officially acknowledged that work registration requirements affect the official rate of unemployment, and we will concentrate on the measurement of the quantitative magnitude of the bias. A BLS representative has publicly indicated that the bias might be as high as 0.5 percentage point; our most recent evidence suggests that the bias is closer to 2.0 percentage points.[1] Devens indicates that our estimates are incorrect because 1) approximately 670,000 should be eliminated from our mandatory registration count since they would be included as employed, not as unemployed, under the official definitions and 2) the number of individuals using public employment services has not changed. In the first case, Devens has confused a stock with

1. *Fortune*, June 1977, p. 94. Our original estimate of a 2.5 percentage point bias was revised once we found that the initial data given to us by the Department of Labor included double counting of some individuals who were in both the food stamp and AFDC programs.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

a flow. The number of individuals who initially registered at one time or another during 1976 averaged approximately 1.6 million persons.[2] Subtracting an average of 670,000 persons from this average would result in approximately one million mandatory work registrants. The actual average monthly work registrants during 1976 which we used was slightly more than one million. In fact, our calculations exclude individuals who registered during 1976 but are not counted in the active file, and who might answer in the affirmative when asked if they are seeking work.

In the second case, Mr. Devens' difficulty with our calculation stems from his misunderstanding of the difference between necessary and sufficient conditions for determining the unemployment status. An investigation of the *Handbook of Methods* for obtaining monthly unemployment statistics will reveal that registration at a public employment office is a sufficient, not a necessary, condition for satisfying the criterion "looking for work." Unless it can be proven that work registrants will answer the question concerning "looking for work" in a significantly different manner than nonwork registrants, Devens' evidence is meaningless.

Few Mandatory Registrants Find Jobs

Devens also fails to examine our evidence revealing that less than 10 percent of mandatory food stamp and AFDC work registrants obtain jobs. In fact, the 94th Congress, after finding that nearly twice as many households were terminated for failing to comply with work registration requirements than were terminated for obtaining jobs, held hearings to examine the "loopholes" in the work registration regulations. This report points out that "by the time Federal bureaucrats had finished some 14 pages of "good cause" and "suitability" cop-out regulations for allowing able-bodied food stamp recipients to refuse employment, the intent of the law was almost totally circumvented."[3]

Finally, Devens has failed to challenge the most important

2. Calculated from Table 6 in *Inflated Unemployment Statistics: The Effects of Welfare Work Registration Requirements* (University of Miami, Fla., Law and Economics Center, Coral Gables, March 1977), p. 15.

3. U.S. Congress, House. *Food Stamp Act of 1976*, H. R. 94-1460, 94th Congress, 2nd Session (September 1, 1976), p. 716.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

source of independent evidence of the validity of our measurements. This concerns the comparison of food stamp recipients with food distribution recipients whose income and other welfare characteristics are similar. As readers of the original *Policy Review* article will recall, our results show that the food stamp program reported higher rates of unemployment than the food distribution program. The food distribution program does *not* have a work registration requirement. Since publication of our article in *Policy Review*, we have found that our initial reporting – which came directly from an unpublished U.S. Department of Agriculture study – underrepresented the differences in unemployment rates between the two programs. The published report, which recently became available to us, reveals that the Department of Agriculture used an incorrect or misleading definition of unemployment. Table 8 of this published document reports that the unemployment rate of those seeking work among recipients of the food stamp program was 9 percent; it was 7 percent for the food distribution program.[4] A review of the data used to make that calculation, however, reveals that the unemployment rate reported in this table was based on the ratio of the number unemployed to the total number (or population) of individuals in the program. Unemployment rates, however, are officially defined as the ratio of those unemployed to the number in the civilian labor force. Corrected calculations reveal that unemployment among work registration participants in the food stamp program was 30.2 percent while unemployment among those in the food distribution program was 24.5 percent, which adds more validity to our estimate.[5]

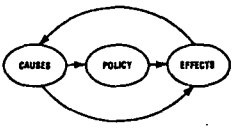
Until ongoing research by others and ourselves proves otherwise we maintain that the best estimate of the bias in official rates of unemployment is that reported in our *Policy Review* article.

Kenneth W. Clarkson and Roger E. Meiners

4. See Table 8 in U.S. Congress, Joint Economic Committee, *Studies in Public Welfare*, Paper No. 17, p. 15.
5. Calculated from *Studies in Public Welfare*, pp. 42-45.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

POLICY STUDIES ORGANIZATION



to promote the application of political and social science to important policy problems

361 LINCOLN HALL
UNIVERSITY OF ILLINOIS AT URBANA-CHAMPAIGN
URBANA, ILLINOIS 61801
(217) 359-8541

AN INVITATION TO MEMBERSHIP

A relatively new organization has been formed to promote the application of political and social science to important policy problems. To implement the above purpose, the Policy Studies Organization has established an in-house publications program which includes the following items. All are available free to PSO members as part of their dues.

1. The *Policy Studies Journal* primarily consists of a symposium in each quarterly issue on an important policy studies topic. Each issue also contains non-symposium articles, literature reviews, and news concerning policy studies. The *Journal* is jointly edited by experts on such policy matters as economic regulation, environmental protection, crime, education, poverty, peace, civil liberties, elections, general policy science, comparative policy problems, policy analysis methods, policy administration, policy theory, and urban policy problems. Special fifth issues of the *Journal* are published in some years at no extra cost to subscribers.
2. The *Policy Studies Directory* provides a department-by-department survey of the teaching, research, and other policy studies activities of American political science departments and interdisciplinary policy programs.
3. The *Political Science Utilization Directory* provides an agency-by-agency survey of how political and social science has been and can be used in federal, state, and local government agencies of an administrative, legislative, and judicial nature.
4. The *Policy Studies Grants Directory* provides information on numerous sources of policy studies funding regarding their programs, types of policy research, key personnel, eligibility criteria, grant sizes, and procedures.

The Organization has also established a publications program through certain commercial publishers which includes the following book series. All are available to PSO members at a substantial discount. All royalties go to the Policy Studies Organization.

1. The *Policy Studies Organization Series* is published by Lexington-Heath. Each volume represents a substantially expanded and revised version of one or more symposia issues of the *Policy Studies Journal*. PSO members are entitled to a 35 percent author's discount.
2. The *Yearbooks in Politics and Public Policy* are published by Sage Publications. Each volume represents an integrated collection mainly of some of the best policy studies papers which were presented at the annual meetings of the American Political Science Association and the regional political science associations. PSO members are entitled to a special 35 percent discount.
3. The Organization publishes through Transaction, Inc., and Southern Illinois University Press paperbound versions of the PSO-Lexington books. It also publishes paperbound symposia issues of the *Policy Studies Journal* for classroom adoption.

Some of the non-publication activities of the Organization include the following items:

1. Sponsoring and encouraging policy-relevant panels at national and regional conventions.
2. Maintaining an information clearinghouse of policy studies research and personnel.
3. Promoting the establishment of a Center for Behavioral Sciences and Public Policy to bring social scientists to Washington to participate in an organized program of interaction activities with government practitioners designed to focus on a variety of specific policy problems.

If you are interested in becoming a member of the Policy Studies Organization, please send a check to the Organization at the above address. Dues are only $8 a year for regular memberships, $5.50 for student memberships, and $15 for library and institutional memberships. A form is enclosed for your convenience in joining and for indicating the address to which you would like the *Journal*, directories, and other literature to be sent. The names of our officers are indicated at the bottom of this letterhead. We welcome your joining with us in the Policy Studies Organization.

President Theodore Lowi, *Cornell*; **Vice-President** Dorothy James, *V.P.I.*; **Secretary-Treasurer** Stuart Nagel, *Illinois*.
At-Large Council Members Kenneth Dolbeare, *Massachusetts*; Charles Jones, *Pittsburgh*; Francine Rabinovitz, *Southern California*; Warren Samuels, *Michigan State*; James Sundquist, *Brookings*; Jack Walker, *Michigan*; Aaron Wildavsky, *Berkeley*; and James Wilson, *Harvard*.
Journal Coordinator Stuart Nagel, *Illinois*.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

The Runner Stumbles: Carter's Foreign Policy in the Year One

KENNETH L. ADELMAN

President Carter's first week in office ended with his telephoning world leaders and dispatching the Vice President to the "Trilateral" capitals of Western Europe and Japan to express personal goodwill. His first year in office ended with his returning from a whirlwind, worldwide trip to express national goodwill. The foreign affairs hallmarks of the new Administration – fostering human rights, striving to eliminate all nuclear weapons, halting nuclear proliferation, and reducing arms transfers, among others – have now been reiterated before countless foreign audiences in many nations, as they were repeated before countless domestic audiences in many states over one year ago.

One Washington wag counseled against undertaking a serious appraisal of Carter's foreign policy until the campaign had ended. This advice is neither fair nor possible. Specific diplomatic initiatives – in the Middle East and southern Africa – have been launched; specific policy decisions – on U.S. ground troops in Korea and the Panama Canal – have been made; and some meshing of the President's visionary goals has at least been attempted. Besides, pausing for a year-end appraisal may be enlightening; since the past does partially serve as prologue, "lessons of history" can help illuminate the ebb and flow of contemporary developments and anticipate future measures. An analytic wrap-up is particularly important with this Administration since its leader was largely an unknown in foreign affairs before assuming office and since he has adopted such an activist role in international and security matters.

On-the-Job Training: Surprising Oneself Along With Others

Throughout the year President Carter demonstrated a keen mind, an ability to quickly grasp new and intricate data, and incredible energy and dedication to the job. But his lack of experience in foreign policy – outside of occasional Trilateral Commission meetings – caused certain difficulties. For one

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

thing, the President was often startled by seemingly predictable diplomatic events, mostly of his own making. This is rare for a leader. Nixon and Kissinger regularly jolted friend and foe alike, but the surprises of the Carter Administration have boomeranged to startle the White House as well. The Administration consequently had to modify important policies already announced. Some cases in point:

- The new Administration stunned the Kremlin last March by proposing to replace the past SALT framework with a sharp, deep, across-the-board reduction of nuclear arsenals. It was in turn shaken when the Soviets summarily and rather impolitely rejected this notion. A dashed President rushed to declare detente dormant but not dead and frankly admitted his surprise at the Kremlin's turndown and its anger with his support of Soviet dissidents. While admirable for their honesty, such statements showed the new team's lack of foresight and sensitivity.
- The Administration's one-two punch at Brazil – on human rights and nuclear technology transfer – set off hemispheric thunderbolts. Even the First Lady's and Secretary Cyrus Vance's gracious trips could not repair the damage. Brazil cancelled a quarter-century old military agreement with the U.S., was the only Latin American nation to intentionally boycott the Panama Canal fiesta last September, and remains hopping mad.
- The President's casual press-conference response, reiterating plans to withdraw U.S. ground troops from Korea, sent Asia into a tizzy, again much to the Administration's amazement. Japan, Singapore, Taiwan, and Malaysia – to say nothing of South Korea itself – reacted with shrill cries of opposition unexpected, in degree if not in kind, by the White House. Such plans have now been quietly set aside, much to everyone's benefit.
- Vice-President Mondale's public call for one-man, one-vote in South Africa jolted the long-enduring White South African reformers. They had hoped the new Administration would boost their cause; instead they were tossed into the waiting arms of Prime Minister Vorster and had to join him in denouncing such a scheme. The startled Administration appraised the damage done and modified its stance to urge South Africans themselves to devise an equitable power-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

sharing arrangement congenial with the realities there.

– The most recent blast affected the Middle East. The U.S.-U.S.S.R. joint communique issued last October seemed bound to stagger Tel Aviv and Americans traditionally sympathetic to Israel. Yet the White House was astonished by the worldwide outcry. The President ducked around New York City trying to evade then-candidate Koch clutching his letter of protest – something akin to serving a summons on the President of the United States. Mr. Carter largely rescinded the communique with pro-Israeli words at the United Nations and a 2 a.m. declaration worked out with Foreign Minister Dayan.

These Carter Shocks differ from the Nixon Shocks as Nixon and Kissinger seldom surprised themselves. President Carter was startled and dismayed by the outcries he set off and quickly had to retreat. His taking two steps forward, one step back – or one step forward, two back – has given the distinct impression that almost none of this Administration's policies on domestic or international affairs has been implemented. When Presidents Kennedy, Johnson, Nixon, and Ford set out on a course, events generally unfolded as they directed. Few, if any, of President Carter's initiatives have happened in the way he anticipated or planned.

Part of the problem no doubt is the Administration's living theater approach to foreign policy. In October and again in December, the President told *The New York Times* that he was amazed at how foreigners probed each of his words for shadings of meaning. One may wonder what Mr. Carter had thought over the previous nine or eleven months; surely he must have grasped the worldwide importance of Presidential policies before then. But one must also sympathize with his dilemma. Pledged on the one hand to conduct an open Presidency, he is forced on the other hand to be most circumspect. Taking such a central role in Middle East diplomacy does not help much either; the differences between "self-rule," "self-determination," "legitimate rights," "national rights," "autonomy" and a "homeland" are sufficient to create a storm of protest on several continents when one term is substituted for another. During his last 1977 interview, however, the President misspoke once again – this time tilting too much toward the Begin proposals – and had to rush to

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

console Sadat.

Part of the problem is also due to the lack of an overall foreign policy framework. The President's abstract goals are of a technical or personal nature. They do not touch upon diplomatic relations of a state-to-state nature – the traditional arena of foreign affairs. This is in keeping with the President's managerial approach to policy matters. Mr. Carter is, in fact, the least ideological President in recent U.S. history. He lacks a clear vision of the future based on some philosophical or political ideology now, as he has throughout his career. This was quite healthy when serving in Georgia – where he effectively broke the prevailing ideology of racism – but it is a deficiency when serving as President.

Without a guiding ideology giving rise to goals for the future, the Administration measures its success, not so much by concrete accomplishments as by ratings of public opinion polls. At the year's end, the polls so carefully scrutinized in the White House were not encouraging. According to Gallup, Mr. Carter's popular approval rating sank to 56% – the lowest year-end rating of any elected President since Eisenhower – and Associated Press-NBC showed him slipping from 62% approval in mid-1977 to 41% approval in early 1978. Harris found that by late fall a majority of Americans considered Mr. Carter well-intentioned, but wondered if he had the basic competence for the job. He received a negative rating (42-48% approval) in his handling of foreign affairs in December, a reversal of the 43-40% positive rating six months earlier.

President Carter's lack of a firm political ideology also means that he lacks a firm and committed base of political support, both in the country and the Congress, which he can summon up when needed. Without such a base, the Administration must undertake the cumbersome and politically costly task of creating temporary coalitions as each particular issue arises. This is exceedingly difficult, given current realities on both ends of Pennsylvania Avenue.

Mr. Carter came to office having never worked in Washington and having, in fact, waged an anti-Washington campaign; this did not sit well with many Congressmen. While Mr. Carter owes Congressmen little, the other side of the balance sheet shows that most of them ran ahead of the President and therefore owe him even less. He also had the misfortune of following three

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

successive Administrations which ended in deep and mutual hostility between the Executive and Legislative Branches. Capitol Hill remains determined to continue its central role in foreign affairs. The new Administration was also doomed to face the continued breakdown of Congressional leadership; without a Rayburn, Vandenberg, or Johnson to deliver the goods, the lofty chambers become most unwieldly, if not anarchic.

Such harsh realities have already taken a heavy toll, reflected particularly in the President's inability to complete energy legislation in 1977. This setback increases concern over his ability to obtain Congressional concurrence on other foreign policy priorities – the Panama Canal Treaties, SALT II, and expected measures dealing with the Middle East, South Korea, and China. The Administration is well aware of its weak negotiating position on Capitol Hill. Last July, a key arms negotiator in the State Department, Leslie Gelb, confidentially proposed that the Administration extend the interim SALT agreement through "parallel, non-binding declarations" in order to avoid "formal extension that would legally require Congressional approval."

Strange Officefellows: Two Layers in the Executive

While relations between branches remain acrimonious, those within the Executive appear harmonious. The normal back-biting, jealousies, and lunges for the bureaucratic jugular are conspicuously absent. This is extraordinary, given the usual nature of American officialdom and the curious mix within this Administration. The Carter team can be sliced horizontally. Perched on top are those who actively supported the Vietnam War – notably Carter himself and Zbigniew Brzezinski, a strong pro-war advocate during the Vietnam teach-ins – and those who managed the War from positions of power in the Pentagon – notably Cyrus Vance, Harold Brown, and Paul Warnke. Sitting beneath them is a second echelon at the Assistant Secretary level – younger men such as Anthony Lake, Richard Moose, Leslie Gelb, David Aaron, Richard Holbrooke – who were early and active Vietnam War protesters.[1]

1. For more information on this "Jr. Varsity" (as they have been called) see Robert L. Schuettinger, "The New Foreign Policy Network," *Policy Review*, Summer 1977.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

These men stood on opposite sides of the barricades, but shared the same trauma with similar intensity. Many left feeling that today's world was fundamentally different from that of the 1940's, 1950's, or even 1960's, that it was on the verge of escaping the conflict-ridden history of the first two-thirds of this century. The world, they believed (or wanted to believe), was now prepared to cooperate in attacking such common problems as human rights, malnutrition, population control, pollution abatement, and so forth. A new historical force was marching and the U.S. had to be at its forefront. This urge has given rise to the Administration's goals of improving human rights around the world, cutting back on America's overseas obligations, reducing arms transfers, and preventing nuclear proliferation. Each goal is quite commendable in itself, yet each is quite incompatible with most of the others. The Carter team has yet to rank these conflicting goals and decide which to pursue in which foreign settings.

These two layers in the Administration seem to have informally divvied up some of the work. The top layer has dominated SALT; the second echelon has taken over Africa policy.

The First String and SALT

The first string consists primarily of the Big Four: Carter, Mondale, Vance, and Brzezinski. The Vice President – who ran for President early in 1976 before his spirits fell after successive nights in identical Holiday Inns without budging his ratings in the polls – initially oversaw the new Africa policy. He flew to Vienna to castigate Prime Minister Vorster, who later said the two "might have been talking different languages," so varied were their views. Mr. Mondale – becoming frustrated and bored by the continent's complexities, as well as swamped by other assignments – soon handed the African baton to a younger crowd.

Secretary Vance, respected for his graciousness and fine manners, was soon soiled with a string of early diplomatic failures. In spring, he was off to Geneva and rebuffed by the Soviets, who were uninterested in reinventing the SALT wheel. In early summer, he was off to the Middle East – finding himself once again involved with tedious negotiations over seating arrangements for a peace conference, as he had been nearly a

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

decade earlier in the Vietnam negotiations – only to learn that these parties were just as cantankerous. In late summer, he was off to Peking and whispered loudly that progress towards normalization had been made; he was roundly refuted by the twice-revived Teng who, greeting the next planeload of Americans paying homage to the Middle Kingdom, declared Vance's mission unproductive and disappointing. The Secretary took all three early jabs with characteristic dignity and now plods along trying to address world issues.

Zbigniew Brzezinski entered office declaring that U.S. foreign policy needed an architect, not an acrobat and wishing to usher in a new multipolar, diffused, interdependent world in a "Technetronic Era." These views, which marked the steady flow of books and articles out of his office, remain as controversial as does Dr. Brzezinski's past record of scholarship. According to *The Boston Globe* (October 10, 1977), one of Europe's most influential intellectuals (said to know Brzezinski well) commented with some bite, "The more you read over Brzezinski's writings, the more you realize he had a special talent for being wrong. He was wrong on the Sino-Soviet split . . . He was wrong on the character of Stalinism . . . He did not anticipate post-Stalin developments. In 1964, he had the crazy idea of isolating East Germany by building bridges with the U.S.S.R. and the rest of Eastern Europe. East Germany was then supposed to fall into the West's hands." Other scholars have noted Brzezinski's unrelenting faddishness. A Harvard colleague remarked (in the grand tradition of academic cattishness) that his writings had all the depth of the paper they were written on. Dr. Brzezinski, however, stands as the Administration's most eloquent foreign affairs spokesman and provides the President's most visionary rhetoric. Jonathan Edwards once wrote that God had designated America as the "glorious renovator of the world"; Messengers and Prophets Carter and Brzezinski are striving to fulfill this mission.

To round out the top SALT team is Paul Warnke, McNamara's right-hand war manager turned evangelical arms controller. He is best known for comparing the superpowers to "two apes on a treadmill" imitating each others' defense efforts. Actually, he said, one ape (the U.S.) was teaching the other its bad habits. "As its only living superpower model," he wrote in *Foreign Policy* (Spring 1975), "our words and actions,

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

are admirably calculated to inspire the Soviet Union to spend its substance on military manpower and weaponry." Left unexplained by this colorful anthropological analysis was exactly how the Soviet Union learned to *increase* its defense spending by more than 40% in real terms since 1964 by "our words and actions" which left FY 1977 U.S. defense spending 12% *below* its 1964 level in real terms. According to a recent CIA report, Soviet defense spending was 40% higher than America's last year, again raising problems for Mr. Warnke's analysis.

Despite such fatuous writings, Mr. Warnke landed the big job after being given what Damon Runyon would have called "the medium hells" from the U.S. Senate. He then headed off to Geneva to find – as has been the case throughout post-World War II negotiations – an older, more experienced and specialized Soviet delegation. Sitting directly across the table from him was Deputy Foreign Minister Vladimir Semenov, who has headed the SALT delegation for eight years now and who entered those talks with considerable diplomatic experience behind him.

Since SALT is "the most thoroughly leaked document in recent diplomatic history," as the State Department correctly stated, there is no need to reiterate its particulars here. Suffice it to say, however, that its leaked provisions on the Backfire bomber and U.S. cruise missile – the two touchiest issues for the past several years – remain topics of heated controversy in Washington and European capitals as well as Geneva.

The Administration and its supporters consider SALT essential to maintaining an overall nuclear balance, preventing a new costly and destabilizing round in the arms race, and maintaining detente with Moscow. Herbert Scoville, as an example of this group, says that U.S. failure to conclude and ratify SALT "would be an unmitigated disaster. We would have an arms race dwarfing anything we have ever seen before." Those sharing this perspective normally discount both the political and military utility of strategic arms, claiming that local forces are more vital in crisis resolution and that current overkill capacities make additional nukes militarily useless.

Two different camps oppose these views. First are those who consider SALT only marginally useful in maintaining an overall strategic balance, in slowing the arms race, and in warming relations with Moscow. This crowd, while lamenting

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

the excessive claims made for SALT by the Administration and its backers, still believes a treaty would be helpful in locking Moscow into an ongoing forum to deal with this crucial area and in achieving political equivalence on strategic arms, i.e., having both nations publicly admit nuclear parity so that neither can claim superiority. This camp maintains that Russian strategic journals consider SALT only peripheral – while similar American journals consider it central – indicating that the Soviets anticipate no more than marginal changes in their defense programs because of SALT; and indeed, this has been the case thus far.

The second group challenging the Administration believes no conceivable SALT accord signed by Moscow would prevent the Soviets from acquiring nuclear superiority. Hence, this camp considers SALT futile, if not positively harmful; some of its members would even welcome a SALT impasse as positively beneficial in increasing public awareness of the Soviet's strategic buildup and in prodding Congress to vote the funds necessary to maintain parity.[2] These individuals gloss over the fact that Congress has never denied any strategic system proposed by a President; on various occasions, in fact, Congress has approved strategic weapons a President deemed redundant.

Despite attacks from both camps, the Carter Administration stands firm in heralding SALT. Its views are reminiscent of those held by arms control advocates in the mid-1960's. Then Defense Secretary McNamara and others thought strategic stability possible only on the basis of equality. Since America had clear superiority, the U.S. would remain fairly static in strategic weapons (with Vietnam eating up defense increases in any case) while the Soviets caught up. When overall parity was reached in the 1970's, then both sides would freeze their forces in a stable and long-term treaty.

So goes the gospel according to the McNamara crowd now on top of the Carter Administration – Brown, Vance, and Warnke – despite two fundamental changes since the mid-

2. This view is put forward by Colin S. Gray of the Hudson Institute in his article "The End of SALT? Purpose and Strategy in U.S.-U.S.S.R. Negotiations," *Policy Review*, Fall 1977. Another informed article on this subject with a different emphasis is Richard Burt's "Arms Control And Soviet Strategic Forces: The Risks Of Asking SALT To Do Too Much," *The Washington Review*, January 1978.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

1960's. (1) While the Soviets have progressed rapidly in strategic arms – as expected – they show no sign of slowing down – as expected by the 1960's crowd. Huge Soviet expenditures on infrastructure in fact, indicate a determination to continue their strategic buildup indefinitely, despite their having achieved overall parity. In dollar comparisons, the U.S.S.R. now spends double the U.S. amount on military investment – construction facilities and installations for future weapons procurement – and one and a half times the amount on military research and development. (2) There is now more awareness of basic differences between American and Soviet strategic doctrines. While the U.S. seeks strategic equality, the U.S.S.R. appears to seek strategic superiority. The Kremlin may be striving for a nuclear war-winning capability to bolster its international prestige and provide a firm foundation for its foreign policy.[3] Because of the bear's ever more fearsome claws, Foreign Minister Gromyko could brazenly assert in 1975: "There is not a single question of any importance in the international arena that would at present be solved without the Soviet Union or against its will." The Kremlin apparently doubts neither the political nor the military utility of its strategic forces.

Defense Secretary Brown has admitted that SALT will not prevent the vulnerability of U.S. land-based missiles in the 1980's. The Administration may thus decide to proceed with the costly MX mobile land-based system – its production has been delayed in the President's FY 1979 Budget – or push American deterrence out to sea – something perhaps more enticing to the Rickover-trained President. But the Soviets are now marshalling resources for anti-submarine capabilities and could pose a threat in this area during the coming years. Regardless of their developments, increased reliance on submarine-launched ballistic missiles would imply a reversion to the cities-as-hostage deterrence posture of the 1950's and 1960's, rather than the flexible and selective deterrence made possible by increased precision of land-based ICBM's in recent years. Such a fundamental change in U.S. strategic posture may be perceived abroad as constituting a further erosion of Washington's readi-

3. See Richard Pipes, "Why the Soviet Union Thinks It Could Fight and Win a Nuclear War," *Commentary*, July 1977.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

ness to maintain credible security guarantees outside North America.

But this is running ahead of our story, and the SALT picture is far from settled now. Last October, President Carter said, "In a few weeks my prediction is that we will have a SALT agreement that will be the pride of our country." His first prediction, on SALT's timing, was clearly premature; his second, on its value, is even more questionable today. The mounting opposition to the well-leaked accord in both the U.S. and Western Europe has slowed down the negotiations considerably. Just as in 1967, when the Non-Proliferation Treaty negotiations had to be delayed for months due to West European opposition, so now the SALT negotiations are being stalled. The treaty may not be put in final form until the summer or fall, or considered seriously by the Senate until after the 1978 elections.

To obtain Hill approval, the President may have to fundamentally alter his political strategy. Should he continue making grandiose claims for the treaty, the technical experts may refute his case most effectively; this is already being done to a large extent. Should he moderate his public stance – adopting the view of those considering SALT only marginally useful – and leave it at that, he may take the wind out of the treaty's sails. His only hope may lie in taking the inside political track – horse-trading, disbursing political favors, and pampering Senators – which the Administration has disdained thus far. Even now, however, the new team may be realizing the benefits of playing old games.

The Junior Varsity and Rhodesia

While the top team wrestled with such ponderous matters as SALT, the junior varsity moved out on other fronts, particularly Rhodesia. As the first detailed, comprehensive diplomatic initiative of the Carter Administration, it offers keen insight into fundamental changes in values and approaches under the new team.

Though Rhodesia has been a festering problem for 80 years and one in the world limelight for the past 12 years, the Administration was eager to resolve the matter forthwith. "'We're just sitting on our asses,' Jimmy Carter barked into his Oval Office telephone" to Walter Mondale, "irate" that

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

after three months "few new U.S. initiatives toward Africa had been undertaken," *Time* related in its August 8th cover story. To carry out the mission, the President turned to two of his bright, eager, second echelon officials: Andrew Young and Anthony Lake.

Reverend Young accepted the post of U.N. Ambassador to put the U.S. "on the right side of the moral issues of the world." During what he called a "Black bourgeois" childhood in New Orleans – grandson of a prosperous entrepreneur and son of a dentist – he associated almost exclusively with less well-to-do White children. He later studied for the ministry and devoted his early adulthood to combating the racism he seems to have been spared himself even though he was a Black growing up in the South. Anthony Lake –between governmental service with Kissinger (he quit over Vietnam in 1970) and Vance – wrote a 300-page book on Rhodesia under the auspices of the Carnegie Endowment.[4] As head of the transition team for the State Department, he landed a choice job as Director of its in-house think-tank, the Policy Planning Staff.

The President and his men considered Rhodesia a top priority – even though the country has marginal U.S. investment, few American citizens in residence, and no real strategic importance – since they believed racial violence in southern Africa might incite racial warfare in America and saw Rhodesia's clear human rights infringements as crying out for remedy.

Their views, though strongly held, are not widely shared. American Blacks are increasingly interested in southern Africa but their involvement, as Mr. Lake wrote, is "still modest in scope and effect." The American public is increasingly at odds with its chosen leaders. Harris Polls reveal that the public supported by 62-15% "Black majority rule" in southern Africa in May 1976 during the Ford Administration. By June 1977, after the Carter Administration had been in office several months, such support had dwindled to 46-25%. In the most recent poll of August 1977, when the Administration's initiatives were in full swing, the American people *opposed* by 41-53% the President's policy of "advocating that Rhodesian

4. Anthony Lake, *The "Tar Baby" Option: American Policy Toward Southern Rhodesia* (New York: Columbia University Press, 1976).

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Whites turn their government over to the Black majority."

Marching to the beat of a more lofty (or at least different) drummer, the Administration set out to repeal the Byrd Amendment – the topic of Mr. Lake's book – which since 1971 allowed Americans to buy Rhodesian chrome in the face of U.N. sanctions. States in Africa and around the world – Zaire, Botswana, Gabon, most of Western Europe, the Soviet Union and Japan – had also been breaking the sanctions, but they did so underground while the U.S. operated in the open air. This first step was rather easy. Greater public awareness of Rhodesia and technological advances – which practically eliminated corporate reliance on Rhodesia's high-grade chrome – did the trick, and the Byrd Amendment was repealed. U.S. businessmen still needing the mineral now must go to the Soviet Union which sells either its own chrome or that which it buys from Rhodesia.

This largely symbolic act having been accomplished, the new team lunged on for the substantive – the transition from White-minority to Black-majority rule. They ganged up with British Foreign Secretary David Owen – also young and enthusiastic, who had written a book out of office calling for forceful action against Rhodesia.[5] The two governments collaborated on a new approach to an old problem, ceremoniously announcing the long-awaited "Anglo-American Plan" on September 1.

This unveiling was the only act ever to unite the quarrelsome Rhodesian parties: all, without exception, strongly denounced its parts. But none wanted to take the diplomatic heat of rejecting the package outright, and so it lived.

The Plan represents a grand international approach involving the British, Americans, Patriotic Front ("liberation forces"), Front-line States (Rhodesia's neighboring states which are diplomatically involved), internal black leaders (primarily Reverends Muzorewa and Sithole), Ian Smith, the United Nations, Nigeria, and anyone else around.

The Grand Plan provides for a shift from the principle of true majority rule to a settlement which will end the fighting and command international support (i.e., the support of the Front-line States and the Soviet Union). It is unlikely, to say

5. David Owen, *The Politics of Defense* (New York: Taplinger, 1972), pp. 114-124.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

the least, that such a settlement could come about after free elections in Rhodesia since such elections would almost certainly install a Black nationalist government led by Muzorewa or Sithole or some coalition of both.[6]

The Plan begins with the assumption of total power by Great Britain in the person of a temporary benevolent dictator, Lord Carver. It provides (free of charge) a detailed written constitution and gets down to basics when it envisions that the army of the new republic will be based upon "the liberation forces."

By so proceeding, the Administration was helping to bring about – not a *change of leadership* in Rhodesia, from White to Black rule possibly resulting in a democratic, free-enterprise, multiracial, Western-leaning state – but a *change of system*, possibly to a non-democratic, radical, ideologically Marxist, and Communist-backed or even Communist-aligned state. The former envisions a Zimbabwe based on values the West has traditionally supported, the latter on those it has opposed.

Appreciating this crucial distinction better than the U.S.-British diplomats, Ian Smith sabotaged their Plan by announcing on November 24th that he would "accept the principle of majority rule based on adult suffrage" if measures could be taken to retain White confidence.

While Smith's announcement raised hopes inside Rhodesia for a rapid and peaceful transfer to moderate Black rule, he dashed hopes inside the White House. Right after Smith's announcement, the "Junior Varsity" team and their staffs met in the White House for a strategy session. The mood was dismal, their spirits dashed – according to one participant – as they feared that Smith might, just might pull it off with the Black nationalists. Even contemplating such a turn of events (by no means definite but most probable at this point) depressed them as they thought of all the months of late-night work on their beloved Plan going down the drain; the romantically portrayed "liberation forces" being left out in the cold; the leaders of the Front-line States being forced back to face their staggering problems at home rather than to nit-pick

6. For an incisive article on recent Western diplomacy in Africa see Julian Amery, "The Crisis in Southern Africa," *Policy Review*, Fall 1977. See also my own article, "The Black Man's Burden," *Foreign Policy*, Fall 1977.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

each element of the Rhodesian transition; and Nigeria, the Administration's new darling in Africa (Zaire, the old darling shunted aside) being deprived of its chance to enter the conflict in sheep's clothing as U.N. peacekeepers.

To understand the factors prompting the Administration to adopt such a scheme we have to try to comprehend its entire approach to foreign affairs. I believe certain underlying principles and attitudes can be discerned.

Lurking Behind Carter's Foreign Policy

1. Ending Inordinate Fears and Abstract Theorizing

In one of his earliest statements as presidential candidate, Jimmy Carter said U.S. "foreign policy ought not to be based on military might nor political power nor economic pressure. It ought to be based on the fact that we are right and decent and honest and truthful and predictable and respectful."[7] In his Notre Dame speech, President Carter called an end to America's "inordinate fear" of Communism.

True to his words, this Administration is less concerned with Soviet power or Communist expansion than any government since F.D.R., or even before. The desire to end the Cold War once and for all, to move beyond a narrow superpower focus, and to welcome a new world order underlies the new team's approach to foreign policy.

This perspective conspicuously underlies their SALT stance. The more Moscow is engrossed in problems of pollution, housing, inflation, energy and other world-order problems, the less it will pose a political or military threat. Such views, along with the belief that additional strategic weapons lack political or military utility, lead the Administration to seek a SALT agreement which is "right and decent . . . and predictable and respectful" rather than one based on "military might" or "political power."

This perspective also underlies the new Africa policy. Ambassador Young has often said that Marxism is irrelevant to Africans. Mr. Lake cautioned in a recent speech that when we "look at African questions as East-West rather than African in their essential character, we are prone to act more on the

7. National Democratic Issues Conference; Louisville, Kentucky, November 23, 1975.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

basis of abstract geopolitical theorizing than with due regard for local realities."

Downplaying Soviet and Cuban adventurism would certainly please African leaders closest to the Carter Administration – those in Nigeria, Tanzania, Zambia, Mozambique, and Angola. It would certainly not please those traditionally close to the West – the leaders of Zaire, Kenya, Senegal, Ivory Coast, Malawi, Botswana and others – who harp upon expanding Soviet and Cuban presence on their continent. President Houphouet-Boigny of the Ivory Coast, to give but one example, recently said, "Russia will take advantage of any confusion in Africa to infiltrate the continent. This may go under the guise of aid to so-called liberators but, once inside, the 'benefactors' will be just another occupation force." Nineteen African heads of state met in Dakar last April and many voiced similar concerns.

These African leaders recognize important events happening before their very eyes. They know that Moscow regularly condemns diplomatic efforts for a peaceful settlement in southern Africa; that Cuba has bolstered its occupation army to prop up an unpopular regime in Angola; that the Soviets are supplying arms across the continent by which Africans are slaying one another; that the Kremlin has pledged more than $1 billion of military equipment to Ethiopia, twice as much as the U.S. provided to that country over a quarter-century; that more than 1,000 Soviet and 2,000 Cuban advisors and combat troops have now entered Ethiopia; and that the number of Soviet and Eastern European military advisors in 1976 rose most dramatically in Angola, Libya, and Uganda – three nations which are not working over-time to preserve human rights, to pursue moderate international policies, and to curb the madness of terrorism. One wonders whether the African leaders, alarmed by such developments, can learn from Mr. Lake to stop their "abstract geopolitical theorizing" and begin to realize the "local realities" on their continent.

As a lamentable sign of the times, Dr. Owen trotted off to brief the Kremlin on the Anglo-American Plan on Rhodesia. Years ago, before their military prowess had expanded around the world, the Soviets could be ignored in southern Africa; today they have the power to disrupt any initiative. Upon returning home, Dr. Owen triumphantly announced that

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Russia's intentions toward Rhodesia were identical to those of the West. This may say more about changes in Washington and London than in Moscow. Owen and Young apparently cared little about the Communist ties to the Patriotic Front or the professed views of the Front itself; they avoided any "inordinate fears" along those lines.

The Administration mindset infects its policy towards other regions as well. In Latin America, it performs a delicate minuet with Cuba – legitimizing Castro's foreign adventures here, chiding them there; condemning his practice of stuffing jails with political prisoners here, maintaining that human rights have improved there. The same team showing such refinement towards Cuba acts like a bull in a china shop towards Brazil – the giant to the south whose importance (to say nothing of traditional friendship towards the U.S.) dwarfs the imagined charms of Cuba.

The same warped perspective is evident in Asian policy. Last summer Richard Holbrooke, Assistant Secretary of State for Asian and Pacific Affairs, addressed a group of Japanese and Koreans. He opened with a twenty minute *tour d'horizon* of his region which focused mainly on normalizing relations with Vietnam and China. The host thanked Mr. Holbrooke for a brilliant overview, but wondered aloud why the Assistant Secretary for Asia omitted any mention of Japan. Was not this country important, he asked, to American interests and policy in Asia as well?

The Administration lacks top officials with varying philosophical perspectives, who can offer alternatives to the President; it lacks any form of multiple advocacy. On the other side of the coin, it benefits from a sense of cohesion and harmony mentioned above. Officials now in the shadows of the foreign affairs spotlight come from the same mold. Sam Brown of Vietnam Moritorium fame, having just assumed responsibility for ACTION, headed off to attend a love-fest to warmly welcome the Vietnamese "liberators" to New York City. He then jetted down to Jamaica – the Caribbean's hotbed of anti-American, pro-Cuban rhetoric and radical socialism – blithely saying he had come to learn pointers for the Peace Corps and VISTA programs he oversees. John Froines, a Chicago Seven ringleader who announced upon his 1971 arrival in Washington, "We have come here to shut down the Government of the

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

United States of America," is now one of its employees with a $37,000 job in the capital.

2. One Engineer's Mind and Many Comprehensive Solutions

A second characteristic has more to do with the President than his appointees. Mr. Carter has adopted an engineering approach to government problem-solving well illustrated by his B-1 decision (which Hamilton Jordan said epitomized his style of operation). Hauling a batch of "pro" and "con" reports from the bureaucracy, Congress and other sources into his secluded study, the President summarized and listed 47 arguments in all — the pros on one side of the ledger, the cons on the other — assigned numerical importance to each, and totalled them up for the answer. It was time-consuming and perhaps tedious, but it was systematic. So, just two days after the House reaffirmed its commitment to the program by 243 to 178, the President killed the B-1 manned bomber.

The same approach has even more serious repercussions elsewhere. With the keen mind of an engineer, Mr. Carter seeks comprehensive repairs for any faulty system. His comprehensive energy proposals, comprehensive tax reform plan, and comprehensive government reorganization scheme show this approach at home. His striving for comprehensive SALT negotiations, a comprehensive Middle East settlement, and a comprehensive Rhodesian settlement display it abroad.

All year the Administration harped upon the Geneva Conference, which Abba Eban said had become a "fetish" for Washington. Mr. Carter urged the Conference to meet in 1977 so that he could turn his attention to other world problems in 1978 — as if convening everyone in one Geneva hall would, like an Esalen weekend, end all animosities and remove all hang-ups. With centuries of conflict in that one region resolved, Mr. Carter would then let his countenance shine elsewhere in this troubled world.

While comprehensive approaches are ideal in theory, they are too ambitious and baffling in practice; the approach involves too many parties and invites too much international posturing. President Sadat and Prime Minister Smith — the two prime targets for the Administration's comprehensive settlements — felt bogged down by the process. Sadat explained that his region's "whole situation needed action. The peace process

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

needed momentum again and these are the motives behind" his mission to Jerusalem. Smith said the Rhodesian parties were "wasting time" on the Anglo-American Plan by continuing the game of passing messages" back and forth without tackling anything of substance. Both felt that the comprehensive approach forced them to deal with repugnant adversaries: the Soviet Union (and perhaps the P.L.O. and Syria) in Sadat's case and the Patriotic Front in Smith's case. The two thus unshackled themselves from the U.S. diplomatic straightjacket, seized the initiative, and opened negotiations with only the key parties involved.

The Administration reacted with amazement, bewilderment, and dejection. When recovered from its shock, it whimpered and pouted about Sadat's and Smith's impertinence. *The New York Times* – hardly the Administration's harshest critic – ran a lead editorial on October 29th saying "The Carter Administration's enthusiasm for President Sadat's diplomacy could freeze the Nile. It has been grudging, chilling, and altogether unworthy of the United States." *Washington Post* columnist Stephen Rosenfeld likewise chided the Administration's reaction to the Smith initiative, offering the lame explanation that Washington had "guerrillas on its mind."

3. Is's and Oughts, Rights and Wrongs

Members of the Administration suffer from logical inconsistencies as well. The President often makes contradictory statements devoid of qualifying terms such as "although," "nevertheless" or "however" which would show he is cognizant of their inconsistency. During the campaign, he pledged to combat unemployment, improve health care, alleviate housing and transportation problems, and soon, *and* reduce government and balance the budget by 1981. Since then, he has stated that the U.S. will withdraw ground forces from South Korea *and* the strategic balance in Northeast Asia will not be upset; that he will continue to support Soviet dissidents and campaign for human rights in Russia *and* work to enhance detente; that former O.M.B. Director Lance displayed high integrity throughout past bank dealings *and* that it was right and proper for him to resign for these very practices.

The Administration frequently confuses the empirical with the normative – supporting something on the basis that it

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

exists rather than because it is necessarily desirable. Two of the most glaring examples of this trait are the U.S.-U.S.S.R. joint communique on the Middle East and the Anglo-American Plan on Rhodesia.

Undeniably the superpowers are cohosts for the Geneva Conference, but this does not require the U.S. to shift its Middle East policy towards that of the U.S.S.R., as the communique in fact did. Two cohosts can differ.

President Carter called the communique "an achievement of unprecedented significance." Whether an "achievement" or not, it was certainly "unprecedented" for the U.S. to adopt P.L.O. codewords, omit any mention of U.N. resolutions supporting Israel's right to exist, and welcome the Soviets into the midst of Middle East diplomacy. While Mr. Carter said he considered its wording "innocuous," one leader of private citizens in a meeting with Secretary Vance said it pointed "a dagger at the heart of every Jew in the world" and another asserted that "the Carter Administration has done more to unify the Jewish community in the past year than has been done in history." The President claimed the communique would lock the Russians into supporting a diplomatic solution. "We looked upon that as a great political achievement," he said. Either the "great . . . achievement" never occurred or did not long endure. One month later, the bear showed its natural disposition as Moscow blasted the Sadat mission and attempted to sabotage this most promising of all diplomatic initiatives. The Kremlin wants neither war nor peace in the Middle East; it seeks turbulence above all. Senator Moynihan still chuckles about how Secretary Vance, even weeks later, was running around justifying the communique's value by describing how much worse the document was only days before its release.

The same desire for a comprehensive settlement shows up in the Rhodesian Plan. Undeniably the Patriotic Front is a factor in any settlement there. But this does not force Washington to shift its policy towards that group (or groups — there is ample evidence of antagonism between Nkomo and Mugabe). Organizations and states which oppose U.S. interests and goals at times should be overcome or skirted around, not supported or accommodated.

The Administration's approach is bad diplomacy as well as faulty logic. Pushing comprehensive settlements boosts the

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

role of Moscow, the P.L.O., Syria and the like in the Middle East, and the disunited Patriotic Front in Rhodesia; diminishes opportunities for resolutions favorable to moderate parties; risks having the U.S. and others being pressured to conform to the most radical parties; and provides the "rejectionists," as Sadat calls them, some measure of veto over the proceedings and U.S. initiatives. Abba Eban counselled that one must decide "whether you want peace or Arab unity. You obviously can't have both." Since this is not so obvious in Washington, he explained that "unanimity means you give a veto power to the most intransigent" groups. "United [Arab and Soviet] action is only possible against Israel."

4. Reaching For The Stars Yet Grasping Little

The Administration makes idealistic pronouncements on the basis of general principles rather than of local realities in the affected countries.[8] A quick spin around the world reveals the damage done by this missionary and naive practice.

To turn first to Asia, at the beginning of last year the President off-handedly announced that U.S. ground troops would be withdrawn from Korea within a few years. During the campaign, he implied that his policy had to do with human rights conditions under President Park's government and eliminating automatic U.S. involvement in another Asian war. Though appealing at first glance, this policy lacks any rationale at close scrutiny. Mr. Carter's announcement united South Koreans – even the religious and opposition leaders – and caused them to rally around President Park, who became more popular than at any time since his rule turned authoritarian. Withdrawal of American ground troops cannot help but worsen human rights conditions; this was the result in the early 1970's when one U.S. division was removed. From a strategic vantage point, the policy makes no sense; traditional allies such as Japan, Singapore, Taiwan, and Malaysia consider it yet another step in U.S. disengagement from Asia, and traditional adversaries such as the P.R.C. regard it as destabilizing and a sign of U.S. weakness. From a cost perspective, the move would result in substantial increases rather than savings. And the desire to eliminate automatic U.S. involve-

8. For a good discussion of this point see Stanley Hoffman, "The Hell of Good Intentions," *Foreign Policy*, Winter 1977-78.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

ment pays the high price of lowering deterrence, which serves to prevent a conflict in the first place. Given realities in Japan, U.S. treaty and historical commitments in Korea, and Seoul's reliance on U.S. sea and air resupply capabilities, it is naive to believe that America could stand aside and watch North Korea once again lunge for the south. Had Carter persisted in this policy he would have given a crucial hostage to fortune. If a new Korean war were to break out for any reason before November 1980, the White House incumbent would be inevitably blamed. Fortunately, this project seems to have been quietly shelved.

In the Middle East, the Administration's "fetish" for Geneva led it to accommodate the PLO and to welcome the Soviets into the diplomatic picture. These are perhaps the two elements which most unite all Israelis – and Egyptian officials, for that matter – in opposition to U.S. policy. They are also primarily matters of procedure. Keener awareness of local realities would have led the Administration to focus on Israeli settlements in occupied areas and the return of most territories held since 1967 – substantive issues on which the Israeli body politic is split and about which the Egyptians and moderate Arabs are most concerned.

In Africa, the Administration at first took an extreme position by advocating one-man, one-vote for South Africa. This united all White South Africans – no matter how reform-minded and anti-apartheid – in opposition to U.S. policy. Keener awareness of local realities would have led the Administration to push for an end to petty apartheid and to racially restrictive labor, education, and housing practices; to full political participation for the coloreds and Indians; to local decision-making for urban Blacks; and to some form of federation or confederation for rural Blacks. This stance would have played upon the goals of South African reformers (most of the above improvements are supported privately by some members of the Cabinet) and contributed to practical progress in that land of haunting racial problems.

5. Spreading Goodwill and Seeking Agreement

The President and his team seek friendship with leaders all around the world. But such an admirable goal should not blind the Administration to real differences which exist between the

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

U.S. and such leaders.

On the final day of 1977, during a press conference in Poland, the President said he and First Secretary Gierek "discussed a wide range of subjects. I didn't detect any significant differences of opinion between ourselves and the Polish leaders." One wonders what in the world they could have discussed. Despite Mr. Carter's generous praise for its progress in human rights, Poland is not widely known for its civil libertarian practices — Freedom House rates it as "not free." The President's scientific mind must have been aware that the Polish government differs from the U.S. on just about every major world issue. The State Department formerly identified 26 "key issues" in the U.N. which are of major importance to America. These include the equating of Zionism with racism, recognizing the P.L.O., retaining the U.N. Command in Korea, and recognizing the "independence" of U.S. territories in the Pacific. Poland, like the Soviet Union itself, voted with the U.S. on only one of these issues and against Washington on the other 25.

After leaving Warsaw, the President spoke with leader after leader in the Middle East — meeting the Saudis, Jordanians, and Egyptians and telephoning the Israelis — saying after each discussion that he found no substantive disagreements with U.S. policies. Again one wonders what he could have discussed with such diverse and often differing leaders to come away with the impression that they all agreed with American positions on long-smoldering disputes.

The Administration's longing for warm relations becomes even more pronounced in dealings with the Third World. Last fall, President Carter told the Nigerian Chief of State in front of the White House, "Years ago, we had nothing but animosity between us. Now we have nothing but friendship." Again, this says more about changes in Washington than in Lagos. Nigeria championed the Marxist regime in Angola, thrice refused a Kissinger visit, supports armed struggle in southern Africa, and continues to voice anti-American sentiments. Their nationalistic press greeted Ambassador Young's first arrival with the headlines "Set a Nigger to Catch a Nigger."

President Carter has called Ambassador Young a new "hero" in the Third World — the "one representative who understands their problems, who speaks their language, who will listen to . . .

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

their woes and their hopes." Mr. Lake has written that an enlightened policy towards Rhodesia would reap "a very high return" among "African embassies in Washington."

Such a perspective begs some basic question: how important is it for a senior U.S. official to become the Third World's "hero"? How important is it for the U.S. to support Third World groups and states at variance with traditional Western values, as in the Rhodesian policy, in order to reap that "very high return" on Embassy Row? Very little, according to the original occupant of Mr. Lake's present position, George F. Kennan. This eminent commentator writes that "black Africans would like to frighten us with the spectre of the loss of their love" which he calls a "highly questionable commodity in any case." American officials should, Mr. Kennan believes, overcome their "massive guilt complex or feeling of moral inferiority" and stop trying to "prove our benevolence towards" African governments, most of whom make their decisions as governments always have — on grounds of self-interest.

Looking Ahead

During its first year, the Administration has conspicuously stumbled and fallen, but at least it has run. Mr. Carter should take pride in the fact that, unlike his three predecessors, he is practicing preventive diplomacy — addressing key world issues and attempting to head them off before the crisis stage. He is moving without first being kicked and this in itself is quite commendable. If pursued with wisdom and a finesse lacking thus far, it can alter America's diplomatic stance from crisis management — so prevalent over the past decade — to creative maneuver. Without the compulsiveness of a Johnson, the suspiciousness of a Nixon, or the listlessness of a Ford, Mr. Carter has an opportunity to substantially improve America's foreign relations.

The year ended with the world press obsessed by and delighting in Mr. Carter's gaffs — especially the incompetent interpreter in Poland and the all too competent microphone in India. While petty, such slips are highly publicized — one large London daily headlined "Carter in Blunderland (continued)" — and consequently spread the impression of dilettantism in the Administration. Nonetheless, things are looking up for Carter's

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

foreign policy at the year's close.

The Panama Canal treaties have turned the corner and are now heading for Senate ratification with amendments. Mr. Carter adroitly completed the negotiations begun three Administrations ago with the Panamanians. Though peaking too early with the September signing hoopla, he is now persistently negotiating with Capitol Hill over certain amendments — agreed upon by both nations — which need to be incorporated. The treaties would then be beneficial to long-term American interests. Of even greater importance, a Senate turndown would bolster left-wing elements in Latin America and throughout the Third World as well as raise grave doubts about America's ability to conduct a coherent foreign policy. With the President courageously placing his prestige on the line, the Executive's negotiating capability on other world issues — from SALT in Geneva through the Middle East and on to South Korea and China — would be crippled by Senate refusal. Fortunately, this does not now seem in the cards.

The SALT treaty will also need amendments — of far greater scope and consequence — before Senate ratification will be possible. Much to its credit, the Administration has taken the heat and gone back to seek major modifications in Geneva. To what degree Moscow will accede and to what extent these changes will defuse the passionate objections to the present proposals in the public, in Congress, and in Western Europe remains to be seen. Still, the Administration is now aware of serious liabilities in some provisions, of which Secretary Vance in particular seemed all too ignorant just last summer. Progress on SALT will undoubtedly spill over to affect other superpower negotiations, stalemated during Carter's first year — such as mutual force reductions in Europe, a total ban on nuclear explosives, the limitation of naval forces in the Indian Ocean, the limitation of conventional arms sales, and a ban on environmental or satellite warfare.

The Korean troop withdrawal scheme is wisely in the process of major modification, if not outright revocation. Even the largely cosmetic removal of 6,000 support troops the President planned for 1978 appears to have been postponed indefinitely. Congress was never too thrilled with the Carter policy; last June the Senate voted to require all decisions on arms and troops in Korea to be determined jointly by Congress and the President.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Now, however, with Congress in the throes of the Tong Sun Park scandal, it cannot vote the amount of equipment and aid to South Korea which the Administration considers an essential prelude for the withdrawal. This situation provides the President with a convenient escape from a policy all too impulsively and poorly conceived. Even the most lamentable happenings – such as the K.C.I.A.'s high-handed tactics and instances of Congressional greed – have some silver linings.

The world hot-spots of the Middle East and southern Africa – Rhodesia in particular – are on track towards solving their own problems. The U.S. applied some pressure to encourage this hopeful turn of events; now it can offer counsel and assistance when asked, but should prove most helpful by abstinence. The Administration's former attempts to upstage the principals and take over the diplomatic limelight proved futile. Its two major preoccupations – to reconvene Geneva and implement the Anglo-American Plan – constituted the most time-consuming, high-level, and visible diplomacy of the new team;[9] by the year's end, both were dead letters. Like French cooking and brain surgery, such grandiose schemes, when they succeed, are spectacular successes; but when they don't, they are hideous failures. Both were failures.

Had they, by some miracle and in some fashion, been accepted, each would have been counter-productive to any stable, long-term settlement and to U.S. national interests. Their passings were grieved only in the White House. Their future resurrection would be cause for wider grief; it is best that they should rest in peace for historians to dig out and examine.

The largest diplomatic issue looming just over the horizon is the normalization of relations with Peking. The Administration is eager to take the controversial step but cannot afford to thwart other foreign policy priorities now before Congress, or to upset Asian allies so soon after the fall of Vietnam and the Korean troop withdrawal announcement. Any such action during Mr. Carter's present term is most likely to occur in the spring or early summer of 1979. This timing would follow

9. This is particularly true of the Middle East. Hamilton Jordan remarked "No other subject – domestic or foreign – has taken so much of the President's time. Besides being important the subject fascinates him." (*The New York Times*, February 3, 1978).

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

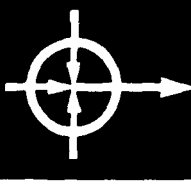
Senate approval (however difficult) of the Panama Canal and perhaps even SALT treaties, and thereby give the Administration a boosting sense of momentum. It would also follow the 1978 Congressional elections, yet allow a nice cushion before the 1980 Presidential election and give time to reap any euphoria from increased trade, cultural exchanges, or top leadership visits from Peking. The timing would nonetheless demonstrate the durability of Taiwan without direct U.S. diplomatic and military ties.

Whether such a momentous event unfolds or not, U.S. foreign policy is on the move with the President determined to address major world problems. His energy and stabs at anticipatory diplomacy are perhaps the most commendable aspects of his foreign policy.

But these traits also have their downside. Coupled with the President's careless use of language (making many anxious about his private, handwritten letters to world leaders) and soaring rhetoric envisioning peace about to break out around the world, these traits raise expectations beyond conceivable deliverance. Realities set in and spirits plummet. Mr. Carter has avoided this occupational hazard for Presidents in domestic affairs, and now should do likewise in the more baffling, complex, and plodding arena of international affairs. A basic principle of Roman law holds that *ultra vires nemo obligatur*: beyond his ability, nobody is obligated. Even to a President of the United States, many things are simply beyond his ability.

With the mixed returns of his first year, the President may become a born-again diplomat. Following a baptism by fire in many areas and on many issues, he may approach international problems in a more thoughtful and experienced manner. The heady optimism of a White House wrapped in euphoria seems to be waning. A "sadder but wiser" President — to borrow a phrase from the sweet-talking Music Man — can now face a second year with lessons learned, disappointments overcome, and sustained high hopes for the future.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED



Policy Analysis

Editor: Arnold J. Meltsner

The center of a growing information network helping to build a national community of practitioners and scholars committed to the field.

Published quarterly for the Graduate School of Public Policy, Berkeley, by the University of California Press.

Some articles appearing in 1978—

Analysis and Issues: Cost-Benefits of Measles Eradication: Effects of a Federal Intervention, *Robert B. Albritton;* Federal Milk Marketing Orders: A Policy in Need of Analysis, *Robert M. Gordon* and *Steve H. Hanke;* Juvenile Sentencing and Public Policy: Beyond Counterdeterrence, *Gerald R. Wheeler;* Pollution Control: Implementation Alternatives, *Lettie McSpadden Wenner;* Implementing CETA: The Federal Role, *Carl E. Van Horn;* Data Inconsistencies and Federal Policymaking, *Peter W. House* and *Edward R. Williams;* No-Growth in the Suburbs: A New Zoning Strategy?, *Michelle J. White;* Transportation and Energy: Some Current Myths, *Charles A. Lave;* "Optimal" Circuit Breaker Schedules and Their Application in California, *W. Norton Grubb* and *E. Gareth Hoachlander;* Policy Discretion in National Budgeting: Controlling the Controllables (and Other Expenditures), *Lance T. LeLoup*

Clients and Analysts: Policy Research and Urban Public Policy, *Terry Nichols Clark;* Water Policymaking in Israel, *Itzhak Galnoor;* Cost Analysis: Some CBO Experience, *William F. Hederman, Jr.,* and *Terry A. Nelson;* Public Policy Termination: An End and a Beginning, *Peter deLeon;* How to Terminate a Public Policy: Ten Hints for the Would-Be Terminator, *Robert D. Behn*

Methods and Practices: Design Issues in Policy Research: A Controversy, *Wendy Peter Abt;* The Deterrent Effect of Capital Punishment: A Question of Identification, *Stephen A. Hoenack, Robert T. Kudrle,* and *David L. Sjoquist;* Looking for the Best, *Robert E. Klitgaard*

Teaching: On Teaching Policy Implementation, *Beryl Radin*

Policy Idea: A Cash-Equivalent Option under "Major-Risk" National Health Insurance, *Laurence S. Seidman;* Care of City Children: A Rural Development Base?, *Thomas A. Reiner* and *Janet Scheff*

Book Reviews: Leon V. Sigal, review of *Theodore C. Sorensen,* **Watchmen in the Night: Presidential Accountability after Watergate;** K. H. Schaeffer, review of *Richard de Neufville,* **Airport Systems Planning: A Critical Look at the Methods and Experience;** Herbert P. Phillips, review of *Seymour J. Deitchman,* **The Best-Laid Schemes: A Tale of Social Research and Bureaucracy**

Subscriptions: $12 for one year and $21.60 for two years for individuals; $15 for one year and $27 for two years for institutions; foreign subscriptions, $1.00 additional per year. Send order with advance payment to **University of California Press, Berkeley, California 94720.**

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

A Counter Strategy for the West in Africa

SINO-SOVIET INTERVENTION IN AFRICA. *Edited by Roger Pearson.* (Council on American Affairs, Washington, D.C., 1977, 104 pp., paper, $5.00.)

SOUTH AFRICA – THE VITAL LINK. *Edited by Robert L. Schuettinger.* (Council on American Affairs, Washington, D.C., 1977, 120 pp., paper, $5.00.)

TRIAL IN AFRICA: THE FAILURE OF U.S. POLICY. *By William P. Yarborough.* (The Heritage Foundation, Washington, D.C., 1976, 86 pp., paper, $3.00.)

RHODESIA ALONE. *Edited by James E. Dornan, Jr.* (Council on American Affairs, Washington, D.C., 1977, 93 pp., paper, $5.00.)

RHODESIA. *By Robin Moore.* (Condor, New York, 1977, 313 pp., paper, $2.25.)

American and Western European interests in sub-Saharan Africa include a wide range of strategic, geopolitical, economic, and social issues. The authors and editors of the five books reviewed here clarify these issues for the interested observer of African affairs.

In recent years, Africa has been drawn into the power struggle between the United States and the Soviet Union. The Soviets have established military support bases including missile storage facilities in Somalia on the Indian Ocean (which apparently are now being phased out) and in Guinea on the Atlantic Ocean, south of Gibraltar. My colleague, Senator Dewey Bartlett, led an American fact-finding mission to Berbera, Somalia (at the request of the Somalian government), which disproved the Soviet/Somalian contention that the Soviet facilities in Berbera were non-military in nature. Senator Bartlett's observations, conclusions, and recommendations for appropriate American response form a chapter of *Sino-Soviet Intervention in Africa.* The same volume also describes the benefits that accrue to the Soviets from their facilities in Guinea. For instance, Soviet reconnaissance aircraft, operating from Guinea, fly surveillance missions over the South Atlantic – missions which doubtless monitor the activities of American and allied naval vessels.

While such facilities would be of value during a general war

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

(if only because Soviet units operating in the ocean areas off Africa could be resupplied without returning to bases in the Soviet Union), their major value almost certainly lies in situations short of world war. Several of the authors describe the lengthening string of bases available to the Soviets on the Atlantic Coast (from Guinea to Angola) and the Indian Ocean (from Somalia to Mozambique). During a period of crisis, (such as a new show-down over Berlin or an invasion of Yugoslavia or Israel), these routes could be used for the interdiction of American and allied shipping.

For example, Western Europe is dependent upon the Cape route from the Persian Gulf to European oil ports for approximately 60 percent of its oil. In the event of a crisis in Europe involving the Soviet Union, it is not inconceivable that the latter might attempt to bend the countries of Western Europe to its will by attacking or blockading the sea lanes from the Persian Gulf. Even the *threat* of such an attack might be sufficient to achieve certain goals. There is, however, a crucial gap in that chain of Soviet influenced countries providing logistic underpinning for Soviet activities in the region — the Republic of South Africa.

South Africa — The Vital Link discusses, among other issues, South Africa's importance as a barrier to Soviet encirclement of Africa. Noting the recent expansion of Soviet influence on the flanks of South Africa, Professor James E. Dornan, Jr., concludes that "it now seems clear that present events have turned South Africa into a Western salient in the southern ocean area, immediately astride one of the two direct trade routes between the Atlantic and the Indian Ocean. Its central position in that regard is enhanced by the vulnerability of the other, the Gibraltar-Suez-Red Sea route, to interdiction at several key points."

South Africa's contribution to the security of the sea lanes of communication between the Indian Ocean and the South Atlantic is considerable. The major naval base is at Simonstown (near Cape Town). Located in an abandoned silver mine it is the nerve center of the South African sea control network. My colleague, Senator Carl Curtis, has described this operation as follows:

> At Silver Mine, a few miles from the actual base, but an integral part of it, is a vast underground maritime

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

> communications center built into a hillside overlooking the ocean. The center is equipped with highly sophisticated electronic computer devices which chart the movements of every ship sailing in the Southern Hemisphere . . . .

Because of the increasing military strength of the Soviet Union in these waters, their ships now outnumber ours in the Indian Ocean. In view of the fact that our European allies (and, increasingly, the United States) are dependent on the sea lanes from the Persian Gulf to the North Atlantic, the United States would be well advised (as General Daniel Graham, among other authors, urges) to consider a closer strategic relationship with South Africa – one that recognizes the geopolitical facts of life.

American economic interests in sub-Saharan Africa are also noteworthy. At present, the United States imports about 15 percent of its oil from Nigeria. Zambia is one of the world's major copper producers; Rhodesia is one of the world's major chrome producers. Most important, however, is South Africa. As Professor P. C. Roberts correctly observes, it is "the treasure house of the world. . ."

> The country has long been known as the land of gold and diamonds, but it is as a supplier of a wide range of strategic minerals that the country is of vital importance to the West. In addition to gold and diamonds, the country contains the world's largest deposits of platinum group metals, manganese, vanadium, and chrome. . . .

Ironically, recent automobile emission control requirements established in the United States require devices whose catalysts are platinum compounds, but the only practical alternative to South African platinum is to buy from the other major producer – the Soviet Union.

Such metals as manganese, vanadium, and chrome are essential for the production of high quality stainless steels and heat-resistant alloys. In all likelihood, our reliance on these minerals will increase in the years to come – a factor Dr. Roberts makes abundantly clear.

The potential material wealth of Africa, the strategic position of South Africa, and (perhaps beyond the purview of the studies considered here) the worldwide "battle for men's minds" are probably all components of the Soviet/Chinese/

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Cuban involvement on the African continent. Consider the words of General Yarborough (author of *Trial in Africa*) as he describes the Soviet strategists at work:

> From a technical and "artistic" point of view, the Soviet political offensive in Southern Africa is impressive. Angola and Mozambique, now both Marxist oriented, lie on the flanks of a desperate Zambia. The Benguela Railroad no longer carries Zambian life-sustaining copper exports to the Angolan port of Lobito. A protracted Soviet psychological campaign to deprive Rhodesia of international sympathy has been joined publicly by voices from the United States Congress and by the Secretary of State. This has resulted in the closing of the Zambian border with Rhodesia and has stopped copper movement through Rhodesia, both to ports of South Africa and to those of Mozambique.

Quite obviously, the Soviets are attempting to establish a string of Soviet-oriented nations across southern Africa. If they are successful, South Africa would not only be isolated, but also vulnerable to Soviet control. Before South Africa can be brought into the Soviet orbit, however, Rhodesia must first be crushed.

In the world community, Rhodesia stands alone. The authors who contributed to *Rhodesia Alone* recognize that fact; indeed, the editor notes that Rhodesia (along with such nations as South Africa and South Korea) is a " 'pariah' state — despised by the modishly leftist nations of the world. . . ."

Rhodesia, unfortunately, suffers from a hostile world press which has tended to distort reality. As Dr. John J. Tierney, Jr., in his essay on "Myth vs. Reality in Rhodesia's Image," points out:

> There is a general prevalence of the view that Rhodesia belongs to the blacks because of their sheer numbers. The whites are usually pictured as holding on to a social order which has been oppressive to the black majority and, consequently, must end, the sooner, the better.

The truth of the matter is, explains Tierney, Rhodesia has a free press. Rhodesia has always been a multi-racial society and has now eliminated almost all forms of racial discrimination. As this book clearly shows, if Rhodesia achieves peaceful majority rule this year, it will be just about the most democratic

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

country in Africa — and the second most prosperous for all people if political and economic stability are restored.

Despite these possibilities, the U.S. State Department seems to favor the Rhodesian radicals instead of the moderates, who could bring about a peaceful change. Robin Moore, popular author (*The French Connection, The Green Berets*) and newspaperman, cites a number of examples of U.S. diplomatic ineptness in his latest book entitled *Rhodesia.*

State Department policy in Africa, it would seem, is in need of a major overhaul if American interests are to be protected. The claim of human rights must be made, but it is a false claim if it endangers American security and threatens the political independence and self-determination of all African peoples.

All five of these books clearly present, in layman's terms, the multifaceted problems that await resolution by the peoples of that vast continent and by the policymakers in Europe and America.

The crucial point these works emphasize is that the vital interests of the West are at stake in the power struggle that now engulfs sub-Saharan Africa, and neither the American nor the Western European nations are adequately protecting them.

Orrin G. Hatch

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Conflicting Studies on the Panama Canal

SURRENDER IN PANAMA: THE CASE AGAINST THE TREATY. *By Philip M. Crane.* (Dale Books, New York, 1978, $1.50.)
THE PANAMA CANAL TREATIES IN PERSPECTIVE. *By Donald M. Dozer.* (Council on American Affairs, Washington, D.C., 1978, 64 pp., $5.00.)
THE PANAMA CANAL: THE CRISIS IN HISTORICAL PERSPECTIVE. *By Walter LaFeber.* (Oxford University Press, New York, 1978, $10.95.)
THE PANAMA CANAL CONTROVERSY: U.S. DIPLOMACY AND DEFENSE INTERESTS. *By Paul B. Ryan.* (Hoover Institution Press, Stanford, California, 1977, paper $5.95.)
THE PATH BETWEEN THE SEAS: THE CREATION OF THE PANAMA CANAL, 1870-1914. *By David McCullough.* (New York, 1977, $14.95.)

On the eve of the prospective great debate in the United States Senate on the ratification of new Panama Canal Treaties, a floodtide of new books has appeared which deals with various aspects of the issues involved. In this flood one can distinguish between those studies which represent the natural tides of scholarship on the subject and those stirred up by the current storm of controversy. Of the five books under consideration here the studies by David McCullough and Paul B. Ryan constitute major research efforts, the culmination of which have conveniently coincided with the consideration of a new treaty with Panama. Since negotiations have dragged sporadically for thirteen years, scholars have investigated in meticulous detail the nature and developments of both the building of the Canal and its controversial legacy of the past seventy years.

The Path Between the Seas constitutes a milestone study of the creation of the Panama Canal and has already risen to best seller status, only partly propelled by recent events. While McCullough does not deal with the present controversy (his study ends with the completion of the Canal), he nonetheless both captures and sets the tone for much of the current debate. The magnitude of the accomplishment of creating the Canal understandably stirs feelings of pride and awe in Americans who associate national greatness with this moonshot of the first two decades of the twentieth century. McCullough's

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

detailed examination of Americans overcoming engineering, medical and diplomatic problems that stymied the French only reinforces the feeling in the United States that the Canal is a part of the national domain. For all practical purposes, most Americans believe that Theodore Roosevelt went down to Panama and dug it with his own shovel.

While pride of accomplishment highlights this most recent examination of the creation of the Panama Canal, guilt concerning U.S. actions in those early years highlights the study by Walter LaFeber which touches on one of the most powerful sentiments in the current debate. LaFeber contends that "The Panamanian government angrily protested 'the manifest renunciation of sovereignty' in the (1903) treaty." However, "In truth," he says, "the Panamanians had no choice" but to ratify the agreement (p. 38). He argues that the creation of the Canal and American administration of it over the years constituted the action of a colonial power exploiting a small nation.

In *Surrender in Panama: The Case Against the Treaty*, Congressman Crane refers to a largely unknown statement of President Carter which reflects the same kind of thinking. On his return to Panama, General Torrijos quoted President Carter as telling him, "The more I read of the history of Panama, the more ashamed I felt. General Torrijos, you and the Panamanian people have been very patient and in my name, I ask forgiveness from your great people." Rather than feeling ashamed of American actions, Congressman Crane, together with Prof. Dozer, hails the magnanimity and fairness with which the United States has administered the Canal. They cite the tremendous economic benefits reaped by the Republic of Panama which now has the highest standard of living in central America, twice as high as neighboring Columbia from which they seceded. Crane particularly emphasizes the content of the Panamanian Treaties as reflecting the view "that America has grown too weary, cynical and self-doubting to stand up for its rights in the world arenas." He concludes his brief book by asserting that under American administration "the canal has been an instrument for peaceful commerce and prosperity and a strategic safeguard for the free world." Thus, he argues, the United States must reject the currently proposed treaties and maintain American control over the waterway. Although

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

undoubtedly written in some haste, the Crane book covers nearly all of the major arguments in the current debates in considerable detail and thus will probably become the standard handbook for those opposing the proposed treaties.

While reaching a similar conclusion, Paul B. Ryan of the Hoover Institution provides perhaps the most important study that has appeared dealing with the Panama Canal. Through meticulous research, Ryan has written a lucid, carefully documented analysis of the history of U.S.-Panamanian diplomacy in the past eight decades. He allows the documents themselves to show a consistent pattern of concessions to Panama by succeeding Administrations in Washington which eventually led to the present agreement. In previous negotiations, he points out, distracting factors, such as the Great Depression, World War II and the Vietnam conflict, obscured public attention from the relinquishment of American rights in Panama. Thus, only when the current treaties were proposed and discussion of them was stimulated by Governor Reagan did the people become cognizant of what was transpiring.

Of the numerous complex Canal issues dealt with by Ryan, his treatment of the military value of the Canal is the most important. He points out that:

> The huge oceanic oval formed by the Greater and Lesser Antilles contains the strategic choke points through which thirteen major trade routes lead directly to the canal. Millions of tons of strategic cargo are transported over these sea lanes en route to the United States and its allies. (p. 138)

He cites numerous military and diplomatic experts who reveal the need for maintaining U.S. control over the Canal and explains why serving military officials in the Carter Administration have views at variance with nearly all retired military officials. He concludes that the proposed treaties fail to explicitly provide for American defense rights.

The study by Prof. Dozer well reflects his distinguished background as Professor Emeritus of Latin American history at the University of California. He provides a vitally important analysis of the interrelationship between the historical background and the current controversies. In particular, Prof. Dozer examines in detail the complicated nature of sovereignty.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

This dispute, seemingly academic (even metaphysical) at times, strikes at the core of current American rights in Panama and reveals precisely why the Torrijos government must have a new treaty before it is able to further exploit economic and political benefits from the Canal. In his early history of the Canal, Dozer describes the assured acquisition of sovereignty in the Canal Zone by the U.S. He also argues that apparent restrictions on the fundamental exercise of sovereignty by the United States have arisen through misleading interpretations of Supreme Court and other decisions over the years. Dozer reviews much of the history of diplomatic negotiations with Panama and indicates that the Panamanian government has, in the past, agreed that treaties then under consideration fully met every possible request that Panama would ever make. Better than any other study, Dozer details the years' long dispute between Congress and the Executive Branch over the precise definition of American authority in the Canal Zone. Thus, he finds that the United States may only be able to maintain the security and equitable operation of the Canal by retaining her authority even if granting some increased renumeration to the Panamanians.

All four of the books dealing with the contemporary debate sharply criticize the role of the State Department and the Presidency in conducting negotiations. LaFeber attempts, in a hastily added conclusion, to support the proposed treaties agreed to by the Carter Administration. The other three studies detail an enormous range of problems and questions that the Carter Administration has not yet satisfactorily resolved.

Jeffrey B. Gayner

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Is Stability More Important than Liberty?

INSIDE RIGHT: A STUDY OF CONSERVATISM. *By Sir Ian Gilmour.* (Hutchinson, London, 1977.)

Sir Ian Gilmour is a rare bird in politics these days. He holds high office in active politics (as Conservative Shadow Minister of Defense and former Minister of Defense), but is also at home in the world of political ideas.

His latest book is a thoughtful, and often witty, assessment of the current plight of the British Conservative Party and, more generally, of Conservatism in the age of the decaying British socialist experiment. Sir Ian is a controversial figure, thought of, by those who warm to political stereotypes, as "left of center" within the Conservative Party. His obvious appetite for controversy, and pointed, no-nonsense, analysis does not desert him in his latest work.

The general thesis of the book is that Conservatism, at least in Britain, is essentially about tradition, national development, consensus, the preservation of what is good, the attainment of what is possible — and not about ideology. To sustain this broad thesis he calls in aid, in the early part of the book, from David Hume, Edmund Burke, Samuel Taylor Coleridge, Benjamin Disraeli, Lord Hugh Cecil, Michael Oakeshott and Lord Hailsham. It is instructive that Sir Ian gives little space to non-English (continental or American) Conservatism. He, obviously, prefers the skepticism and balance of the home-grown variety. In one revealing sentence he states that "Nothing explains everything."

Sir Ian's distaste for doctrinal politics suffuses this important book. His Conservatism is "necessarily" flexible and must change with the times: "Conservatism . . . cannot remain the same because it takes account of its opponents, the political system, the general conditions prevailing, and the state of public opinion." And, "Conservatism does not presume to be either immutable or infallible." Of course, here is the nub of the book's controversy, and the central point upon which ideological Conservatives will challenge him. F. A. Hayek, of course, has put the counter-case perfectly, and in doing so even went so far as to declare himself not to be a Conservative: ". . . by its

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

very nature it [Conservatism] cannot offer an alternative to the direction in which we are moving . . . conservatives . . . can only affect the speed, not the direction of contemporary developments . . . I cannot personally be content with simply helping to apply the brake" (*The Constitution of Liberty*, p. 398).

The problem for traditional Conservatives like Sir Ian is that they must constantly grapple with the charge (made by classical liberals and even social democrats) that their evolutionary, balanced, non-ideological political approach offers no permanent guidelines or precepts, immutable laws (so to speak), by which the onward march of socialism can be contained and then flung back. The intriguing aspect of this book, however, is that Sir Ian seems well aware of this problem, and indeed is as committed to the defense of the free society as any other good democrat. He is scornful of the Social Democrats in Britain for their cowardice in not standing up sufficiently for the freedoms they proclaim in the battle with their own left-wing within the Labor Party; he offers some refreshing ideas about how to re-invigorate the British constitution to preserve it from Marxist abuse or irresponsible and overmighty trade union power.

It would seem that his dispute with the resurgent "classical liberals" within the Conservative Party is as much about tactics as it is about the nature of Conservatism. This point becomes clear in the last major part of the book. In the chapter on economic policy he reviews all the major options open to an incoming Conservative administration in what he hopes will be their attempt to rectify Britain's chronic structural economic and industrial imbalance. Sir Ian is obviously very worried about too radical a reversal of British economic policy since the war. For instance, he states that: "A . . . possibility, favoured by some, is to smash trade union power by very high unemployment. The trouble is that the free society would probably be smashed at the same time. At the very least, high unemployment is unlikely to help the promulgation of free-market doctrines or to cement loyalty to the country's free and democratic institutions."

Here, then, is the crucial tactical point that cannot be avoided by all of those who wish to retain freedoms in Britain. Sir Ian senses the fragility of Britain as a democratic society,

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

and this he shares with virtually every serious non-Marxist thinker in the country. There is considerable and well-founded doubt that, in the event of a real confrontation between the constitutional state and the increasingly Marxist trade union leadership, the forces of democracy would prevail – at least at the moment.

The author believes that the immediate battle for the future of Britain should not be fought on the economic plane where the extreme left seems to possess all the advantages. Whatever our personal predilections about the power of the state, the enormity of Britain's public sector, the growth, virtually unparalleled in the world, of local government services and personnel, any strong rhetoric about slashing public expenditure will, inevitably, be used as a political card by the Marxists. The "hard-faced men of the Tory party" will be back wishing to grind the faces of the poor and eliminate old-age pensions. The battle-ground for the immediate future should instead be political, social and moral. "For a Tory, politics are more important than economics" suggests Sir Ian. This is true, too, for Liberals and Social Democrats – indeed for all those who do not adhere to Marxist materialism.

Indeed, there is a lesson here for those, throughout the Western democracies, who fear the progressive erosion of liberties and who see the Western tradition as being constantly on the defensive against both Soviet imperialism and Marxist intellectualism. For instance, the elevation of politics over economics by the forces of democracy is as urgent on the continent of Europe (where Eurocommunism is a growing threat) as it is in Britain.

Sir Ian is not adverse to the use of referenda. Nor is Mrs. Thatcher, the Leader of the Conservative Party, who recently declared that in the event of a challenge by the trade union leaders to a duly-elected Conservative government she would put the issue of "who rules?" to the people directly. This is much better territory for democrats of all parties to fight on. And in Britain particularly, the defense of freedom based upon political institutions and social and cultural traditions, rather than upon a clash over economic dogma, will have some chance of success. This, I suspect, is the core of Sir Ian's message.

Inside Right is essentially a book of statecraft. Its arguments are judiciously put and finely-honed. There are no clarion-calls

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

in it, purposely so: "the Tory objective is limited," "the fundamental concern of Toryism is the preservation of the nation's unity, of the national institutions, of political and civil liberty, and not the achievement of some ideological victory." For those of us who believe that politics is, at root, about the battle of ideas and urgently want a greater ideological content in our politics (both within each nation and between East and West) this book will not be entirely satisfying. But, that was not its aim. Sir Ian constantly reminds us that the indulgence of our personal convictions is not the total objective of political life. Speaking of his own party he says: "Certainly Conservatives should try to win the future, but not at the cost of losing the present."

This book will be of great value to Conservatives. But it will be of interest to a wider audience as well. It deals sensitively with the great question of democratic politics: the boundary between principles and power, desires and achievable objectives. It is a profound book.

Stephen Haseler

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

War and Peace in the Middle East

THE POLITICS OF DEFEAT: AMERICA'S DECLINE IN THE MIDDLE EAST. *By Joseph Churba.* (Cyrco Press, New York, 1977, 224 pp. with maps, $10.00.)

In a recent interview, Golda Meir doubted whether Begin and Sadat merited the Nobel Prize for their November 1977 summit diplomacy, but she was certain that they each deserved an Oscar. That is no mean praise. On the Middle East stage, most politicians (so to speak) bomb.

By granting Washington credit for the initial happy turn in Egyptian-Israeli relations, President Carter's boosters find grounds for cheering his performance on this stage. Assuming unskeptically that the results of Administration policy were intended, the boosters confuse responsibility with credit. Analysis suggests that the Administration's foreign policy in 1977, which included the courtship of Egypt's hard-line Arab rivals and the reintroduction of Moscow into Arab-Israeli negotiations, dismayed the Egyptian president and compelled him to journey to Jerusalem in order to wrest the delicate peace diplomacy out of Washington's maladroit hands. It is true that both Sadat and Begin of late have voiced competitive exhortations for more forceful American participation in the peace negotiations. Such urgings, however, appear to be tactical in nature – each exhorter wants the United States to weigh in diplomatically and materially on behalf of his nation – and should not be viewed as evidence of confidence in the skill of the Carter Administration or, even less likely, endorsement of the Administration's original diplomatic strategy.

During its first eleven months, the Carter Administration focused singlemindedly on reconvening a Geneva peace conference sponsored by both superpowers. Official policy pronouncements from Washington (e.g., on June 27 and, jointly with the Soviet Union, on October 1) reflected less concern with Israel's security fears than with satisfaction of Palestinian claims and Israeli withdrawal from virtually all territories acquired in the Six Days' War. Administration officials apparently were intent on enticing the Arabs, especially Syria and the PLO, into participation at Geneva, even at the price of riling Jerusalem. This policy yielded disappointing returns.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Washington's periodic awards to the PLO of cost-free diplomatic plums, such as support for a Palestinian "homeland" and subscription to the phrase "Palestinian *rights*," failed to engender moderation in the ranks of the terrorists. Rather, the practice bolstered Yasir Arafat's claim to paramount Palestinian leadership and reinforced in Skinnerian fashion the PLO's policy of inflexibility. In addition, the Administration's insistence on comprehensive, multilateral peace talks and its commitment to "Arab unity" afforded Syria, the most hard-line Geneva invitee, a veto over essential Arab concessions. U.S. solicitude toward the PLO and Syria appeared to vindicate Arab counsels of intransigence, a circumstance humiliating to President Sadat, who before his Jerusalem visit, could point to no special favors from Washington to justify his expressed readiness to make concessions for peace. The Administration further discouraged moderation by picking squabbles with Israel over PLO representation at Geneva, thus ensuring that Arab obstinacy would exacerbate the strain in U.S.-Israeli ties to the benefit of Israel's enemies.

These miscalculations by the Carter Administration are traceable to a set of ill-conceived premises about Middle Eastern and world politics that has for many years enjoyed common acceptance in official Washington circles. Principal among these premises are (1) the high value to the United States of Arab unity; (2) the centrality of the Palestinian issue in the Arab-Israeli conflict; and (3) the negligible (perhaps even negative) utility of Israel to the United States in the context of super-power strategic affairs.

Dr. Churba's book, *The Politics of Defeat: America's Decline in the Middle East*, sets forth both information and analyses illuminating the errors that underlie the three assumptions listed above. The book constructs a multifaceted thesis concerning Israel's worth as a strategic asset of the United States. Dipping repeatedly into events in recent history, such as the civil wars in Jordan and Lebanon, Dr. Churba discusses the Israeli army's unique function as a proxy force on behalf of U.S. interests in the Levant. He also explores the strategic and diplomatic benefits that Israel's military potency provides the United States vis-a-vis the Soviet Union and the Arab oil countries. Dr. Churba's credentials on this subject include a four-year tenure as chief Middle Eastern affairs analyst for U.S. Air

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Force Intelligence.

Geography and petroleum render influence in the Middle East a strategic prize of the first order. After cataloguing Soviet objectives, unsurprisingly, to cutting Western (and Japanese) access to critical oil supplies, Dr. Churba expounds persuasively on the indispensibility of a reliable pro-Western alliance in the area. In his view, as beneficial as friendship with various Arab states may be for the United States, there is no strategic substitute for the domestic stability and inveterate loyalty to the West of such nations as Israel, Turkey, and Iran. Such an argument stimulates one to ponder from the American vantage point the nature and function of Arab unity, not only as it affects the Arab-Israeli dispute, but also as it bears on global strategy. Is there inherent value for the United States in Arab unity? Does greater advantage not derive from cooperation with select, relatively stable, and essentially Western-inclined Arab states (in addition to Israel, Turkey, and Iran)? Does there really exist among the Arabs a commitment to unity outside of the campaign to destroy Israel? If this book did nothing more than raise and proffer answers to these few questions, it would deserve an attentive reading.

Actually, the book does a good deal more. It challenges the notion — one that has become something of an incantation for the press — that the Palestinian refugee problem and the Israeli occupation of conquered territory since 1967 compose the crux of the Arab-Israeli conflict. And it posits several uncommon and creative interpretations of recent Middle Eastern history; for example, the expulsion of Soviet advisors from Egypt in 1972 removed rather than created impediments to Soviet collaboration in the 1973 Yom Kippur sneak attack on Israel.

Neither the prose nor the topical organization of this book are especially felicitous, but its skepticism and conviction overshadow its technical flaws. The Carter Administration would do well to heed the work's instruction. The analytical icons assaulted by Dr. Churba still unfortunately dominate the thinking of Administration policy-makers, dooming them to repeat the blunders that have in the recent past so exasperated not only the Israelis but President Sadat as well. As we have seen, the Administration's effect thus far on Arab-Israeli diplomacy has varied sadly between the pernicious

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

and the ironic. Should the Administration fail to improve its performance on the Middle Eastern stage, we may soon find that the Jimmy Carter Show has folded.

Douglas J. Fieth

The Institute of Economic Affairs

Registered Office:
2 LORD NORTH STREET WESTMINSTER SW1P 3LB

General Director: Ralph Harris
Deputy Director: John B. Wood

"IEA's record is remarkable: it has managed to maintain a consistent position in favor of human freedom without in any way being simply a propaganda mill. On the contrary, its publications (even excluding those by me!) have consistently maintained high standards of scientific quality and objectivity, have consistently provided evidence relevant to the intelligent formation of policy views."

—Milton Friedman's message to our 25th anniversary dinner

We invite you to take out an annual subscription—only 35 dollars—to our publications through our North American agent, from whom you can also obtain a catalogue of all our titles in print.

IEA

Transatlantic Arts Inc.
North Village Green
Levittown
N.Y. 11756

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

New Books and Articles in Public Policy

Martin Anderson
"The Roller-Coaster Income Tax" (*The Public Interest*, Winter 1978).

Peter H. Aranson
The Multiple Tax on Corporate Income (International Institute for Economic Research, Los Angeles, California, 1977, $1.45).

P.T. Bauer
Western Guilt and Third World Poverty (Ethics and Public Policy Center, Georgetown University, Washington, D.C., 1976, $.50). More information about this recently founded scholarly center may be obtained from the Ethics and Public Policy Center, 1211 Connecticut Avenue, N.W., Washington, D.C.

Walter Berns
The First Amendment and the Future of American Democracy (Basic Books, New York, 1976, $12.50).

Julian Birch
"Albania – The Reluctant Puppet" (*The Journal of Social and Political Studies*, Winter 1977).

Samuel Brittan
The Economic Consequences of Democracy, (Maurice Temple Smith, London, 1977, £3).

Samuel Brittan and Peter Lilley
The Delusion of Incomes Policy (Maurice Temple Smith, London, 1977, £3). The chief economic commentator for *The Financial Times* and a former chairman of the Bow Group trace the history of wage and price controls in Britain and elsewhere and conclude that they have rarely, if ever, worked for more than a short period of time.

Richard Burt
"Arms Control and Soviet Strategic Forces: The Risks of Asking SALT to Do Too Much" (*The Washington Review*, Volume 1, Number 1, January 1978). For more information about this new journal of foreign affairs published by the Georgetown Center for Strategic and International Studies (Michael Ledeen, executive editor) write to Transaction Periodicals Consortium, Rutgers University, New Brunswick, N.J.

Francis Hoeber, David Kassing, William Schneider, Jr. (editors and co-authors)
Arms, Men and Military Budgets: Issues for Fiscal Year 1979 (Crane, Russak and Company, N.Y., $5.95). With their third annual edition, the editors have established this reference work as the most authoritative source for an informed discussion of the key issues in formulating the annual defense budget. In that it analyzes the controversies involved

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

it must be regarded as more useful to the defense specialist than *The Military Balance*, also published on an annual basis by the International Institute for Strategic Studies.

Ray S. Cline

Secrets, Spies and Scholars (Acropolis Books, Ltd., Washington, D.C., 1976, $10.00).

Marshall R. Colberg

The Consumer Impact of Repeal of 14 (b) (The Heritage Foundation, Washington, D.C., 1978, $3.00). A former President of the Southern Economic Association estimates the impact on consumers if the section of the Taft-Hartley Act which permits states to have Right-to-Work laws were to be repealed in the near future. Former Senator Sam J. Ervin of North Carolina has written a Foreword.

Chester A. Crocker

From Rhodesia to Zimbabwe: The Fine Art of Transition (Center for Strategic and International Studies, Georgetown University, Wash., D.C., 1977, $2.00). The Center's Director of African Studies analyzes the current situation in Rhodesia and the various proposals for a peaceful settlement. He concludes that the U.S. should throw its diplomatic weight behind a solution that will bring about peaceful majority-rule and a stable and democratic Zimbabwe.

L. E. S. de Villiers

"South Africa and the U.N." (*Journal of International Relations*, Winter, 1977).

Solveig Eggerz

Whatever Happened to Our Public Schools and Why? (America's Future, Inc., New Rochelle, New York, 1978).

Samuel T. Francis

"The Spanish Political Scene" (*The Journal of Social and Political Studies*, Summer, 1977).

Edmund J. Gannon

The Panama Canal and the Panama Canal Zone: Some of Their Contributions to Strategic Mobility and Logistic Support (Congressional Research Service, The Library of Congress, Washington, D.C., 1978). An analyst in National Defense at the CRS has prepared an objective and scholarly study of the value of the Canal to the over-all U.S. defense posture. Although it takes no position on the treaties, this well-documented study will be invaluable to anyone wishing reliable information on the Great Debate.

John A. Gardiner and Michael Mulkey, (editors)

Crime and Criminal Justice (Lexington Books, Lexington, Mass., 1975, $14.50).

Robert A. Gessert and Harvey B. Seim

Improving NATO's Theater Nuclear Posture (The Center for Strategic and International Studies, Georgetown University, Washington, D.C., 1977, $3.00).

Roy Godson

The Kremlin and Labor: A Study in National Security Policy (Crane, Russak and Company, Inc., New York, 1978).

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Colin S. Gray
Geopolitics of the Nuclear Era: Heartlands, Rimlands, and the Technological Revolution (National Strategy Information Center, New York, 1978).

Morton H. Halperin
National Security Policy-Making (Lexington Books, Lexington, Mass., 1975, $12.50).

Stephen Haseler
"The Collapse of the Social Democrats" (*Commentary*, December, 1977).

Dan C. Heldman
American Labor Unions: Political Values and Financial Structure (Council on American Affairs, Washington, D.C., 1977, $5.00). America's union leadership is actually more "liberal" than is generally supposed, according to the author; unions also spend more money on political campaigns (when in-kind contributions are taken into account) than is generally known.
Trade Unions and Labor Relations in the U.S.S.R. (Council on American Affairs, Washington, D.C., 1977, $5.00). The author describes how so-called Soviet trade unions actually work, how they are a means for controlling workers rather than a means for protecting their interests.

Charles Hobbs
The Welfare Industry (The Heritage Foundation, Washington, D.C., 1978, $3.00). A former official of the California State Department of Welfare analyzes the many federal welfare programs and explains how the goals of the Welfare Industry (mainly the civil servants who strive to enlarge their bureaucratic empires) are often at odds with various reform plans espoused by Presidents from Johnson to Carter.

Stanley Hoffman
"The Hell of Good Intentions" (*Foreign Policy*, Winter 1977).

Wallace Irwin, Jr., (editor)
Panama: A Great Decision Approaches (Foreign Policy Association, Inc., New York, N.Y., 1977, $.75).

Dorothy Buckton James, (editor)
Analyzing Poverty Policy (Lexington Books, Lexington, Massachusetts, 1975, $17.00).

Bruce Johnson (editor)
The Attack on Corporate America: The Corporate Issues Sourcebook (McGraw-Hill, New York, 1978).

Vincent K. Knapp
"Social Classes in the U.S.S.R." (*The Journal of Social and Political Studies*, Winter 1977).

Morton Kondracke
"Home for Hardliners" (*The New Republic*, February 4, 1978). An informative report on the activities of a leading Washington think-tank, Georgetown University's Center for Strategic and International Studies.

John Krizay
"Foreign Correspondent: The Diplomat's Fantasy" (*The Washington Journalism Review*, January/February 1978). The *WJR* is a new and

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

needed addition to the world of Washington journalism. It will report on the reporters. More information can be obtained from *WJR*, 3122 M St ., N.W., Washington, D.C., 20007.

Walter Laqueur

"The Specter of Finlandization" (*Commentary*, December 1977).

Thomas D. Lynch

Policy Analysis in Public Policymaking (Lexington Books, Lexington, Massachusetts, 1975, $12.50).

Tibor Machan

Human Rights and Human Liberties (Nelson Hall, 1975, $11.95).

The Libertarian Alternative (Nelson Hall, 1974, $12.50). A leading libertarian philosopher has compiled a useful anthology detailing libertarian solutions to various social problems.

Xavier Marchetti

"The French Left and the March Elections" (*The Washington Review*, Volume 1, Number 1, January 1978).

Margaret N. Maxey

Nuclear Energy Politics: Moralism vs. Ethics (Ethics and Public Policy Center, Georgetown University, Washington, D.C., 1977, $.50).

Sir Frank McFadzean

The Economics of John Kenneth Galbraith: A Study in Fantasy (Centre for Policy Studies, London, October, 1977).

David I. Meiselman

Welfare Reform and the Carter Public Service Employment Program: A Critique (Law and Economics Center, University of Miami, Coral Gables, Fla., 1978, $2.50). In an incisive analysis of the Carter plan to reform welfare and reduce unemployment, the Director of the Graduate Economics Program at Virginia Polytechnic Institute, Reston, Virginia, demonstrates why the current plan would accomplish neither of these goals.

Allan Meltzer

Why Government Grows (International Institute for Economic Research, Los Angeles, 1976, $.95).

Roger LeRoy Miller

Economics Today and Tomorrow (Canfield Press, San Francisco, 1978).

Intermediate Microeconomics (McGraw-Hill, New York, 1978).

Daniel Patrick Moynihan

The United States in Opposition (Ethics and Public Policy Center, Georgetown University, Washington, D.C., 1975, $.50).

Charles J. V. Murphy

"The World and Jimmy Carter" (*Journal of International Relations*, Winter 1977).

Thomas P. Murphy

The New Politics Congress (Lexington Books, Lexington, Mass., 1974, $17.50).

Francis X. Murray

Energy: A National Issue (The Center for Strategic and International Studies, Georgetown University, Washington, D.C., 1976, $3.95).

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Stuart S. Nagel
Policy Studies in America and Elsewhere (Lexington Books, Lexington, Massachusetts, 1975, $16.00).

Richard John Neuhaus
The World Council of Churches and Radical Chic (Ethics and Public Policy Center, Georgetown University, Washington, D.C., 1977, $.50).

John L. Paluszek
Will the Corporation Survive? (Reston Publishing Company, Inc., Reston, Virginia, 1977, $11.95).

Svetozar Pejovich, (editor)
Governmental Controls and the Free Market: The U.S. Economy in the 1970's (Texas A & M University Press, College Station, 1976, $12.50). The Chairman of the Economics Department of the University of Dallas has edited a timely survey of the U.S. economy by such outstanding scholars as Armen Alchian, William Niskanen, Colin Campbell, James Buchanan and others.

Rudolph G. Penner
Social Security Financing Proposals (American Enterprise Institute, Washington, D.C., 1977).

Robert Pringle
"Creeping Irrelevance At Foggy Bottom" (*Foreign Policy*, Winter 1977).

James E. Ragan, Jr.
Minimum Wages and the Youth Labor Market (Center for the Study of American Business, Washington University, St. Louis, Missouri, August, 1977).

Alan Ned Sabrosky
"Unionization and the U.S. Military: A Conference Report" (*Orbis*, Summer 1977, $1.00).

Wilson E. Schmidt
The Night We Floated (International Institute for Economic Research, Los Angeles, California, 1977, $.95).

Robert L. Schuettinger
Saving Social Security (The Council on American Affairs, Washington, D.C., 1977, $5.00).

Charles L. Schultze
"Opinion: The Public Use of Private Interest" (*Regulation*, American Enterprise Institute, September/October 1977).

Paul Seabury, (editor)
Universities in the Western World (International Council on the Future of the University, 1976).

Donald J. Senese
Indexing the Inflationary Impact of Taxes: The Necessary Economic Reform (The Heritage Foundation, Washington, D.C., 1978, $2.00). Dr. Donald J. Senese, Senior Research Associate with the Republican Study Committee, argues in support of tax indexation, a process which makes economic adjustments to allow for the effects of inflation. This, he says, would work to protect the American taxpayer from inflation-induced tax increases.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Susan L. Shirk
"Human Rights: What About China?" (*Foreign Policy*, Winter 1977).

Jay A. Sigler and Benjamin R. Beede
The Legal Sources of Public Policy (Lexington Books, Lexington, Massachusetts, 1977, $18.00).

Thomas Sowell
Patterns of Black Excellence (Ethics and Public Policy Center, Georgetown University, Washington, D.C., 1976, $.50).

Jeffrey St. John
The Panama Canal and Soviet Imperialism: War for the World Waterways (The Heritage Foundation, Washington, D.C., 1978, $2.00). Jeffrey St. John, Washington-based syndicated newspaper columnist and network broadcast commentator, argues that the nationalization of the Suez Canal, the Cuban revolution and now the Panama Canal treaties are progressively chipping away at America's national defense capabilities and fulfilling the Soviet goal to dominate the world waterways stated by Lenin in his proposal, "Freedom of the Seas," in 1919.

Patrick Wall, M.P. (editor)
The Southern Oceans and the Security of the Free World (Stacey International, London, 1977). A group of defense and foreign policy experts discuss the current Soviet penetration of the Indian Ocean, Africa, the South Atlantic Ocean and South America.

George Ward
Fort Grunwick (Maurice Temple Smith, London, 1977). A British employer relates his difficulties with militant trade unionists after a majority of his employees voted not to join a union.

G. Campbell Watkins and Michael Walker, (editors)
Oil in the Seventies: Essays on Energy Policy (The Fraser Institute, Vancouver, Canada, 1978, $3.95 paper).

Paul H. Weaver
"Regulation, Social Policy, and Class Conflict" (*The Public Interest*, Winter 1978).

Murray L. Weidenbaum
The Costs of Government Regulation (Center for the Study of American Business, Washington University, St. Louis, Missouri, February, 1977).

Murray L. Weidenbaum
Strategies for Business Survival in a World of Government Intervention (Center for the Study of American Business, Washington University, St. Louis, Missouri, September, 1977).

Murray L. Weidenbaum and Linda Rockwood
Corporate Planning Versus Government Planning (Center for the Study of American Business, Washington University, St. Louis, Missouri, March, 1977).

Carol H. Weiss, (editor)
Using Social Research for Public Policy-Making (Lexington Books, Lexington, Massachusetts, 1977).

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Centre for Policy Studies

President
Rt Hon Mrs Margaret Thatcher MP

Chairman
Rt Hon Sir Keith Joseph Bt MP

The Centre for Policy Studies was founded in 1974 to study economic and social policies as they are and as they might be, and to communicate its findings to politicians and public.

In Britain, socialist ideas and other varieties of collectivist, centralist or statist philosophies have come to dominate political thought, socialist assumptions in economics, social policy and education have gained general bi-partisan acceptance.

The Centre aims to re-examine the new conventional wisdom pragmatically in the light of experience in Britain and other industrialised countries. It seeks to secure fuller understanding of the methods available to improve the standard of living, the quality of life and the freedom of choice of the British people.

In a series of intellectually vigorous, informative and objective publications, the Centre states the case for a social market economy – that is, a free market economy operating within a humane system of laws and institutions. The case is presented in moral as well as in social and economic terms, emphasising the links between freedom, the standard of living and a market economy based on private enterprise and the profit discipline.

For a free catalogue of books, pamphlets and studies please write to: Publications Division, Centre for Policy Studies, 8 Wilfred Street, London SW1E 6PL.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Selected Heritage Foundation Policy Studies

The Welfare Industry
by Charles D. Hobbs (1978, $3.00)
The Consumer Impact of Repeal of 14b
by Marshall R. Colberg (1978, $3.00)
A New Strategy for the West
by Daniel O. Graham (1977, $3.00)
Forty Centuries of Wage and Price Controls
by Robert L. Schuettinger and Eamonn F. Butler (To be published April 1978, $5.00)
Congress and the New International Economic Order
by Edwin J. Feulner, Jr. (1976, $3.00)
Death and Taxes
by Hans F. Sennholz (1976, $3.00)
Third Party President? An Analysis of State Election Laws
by Paul H. Blackman (1976, $3.00)
Federalism and Criminal Justice
by Steven R. Schlesinger (1975, $2.00)
Man: A Course of Study–Prototype for Federalized Textbooks?
by Susan M. Marshner (1975, $2.00)
The Maturity of Social Security
by Charles A. Moser (1975, $2.00)
The British National Health Service in Theory and Practice
by Stuart M. Butler and Eamonn F. Butler (1974, $2.00)

Critical Issues

Secular Humanism and the Schools: The Issue Whose Time Has Come
by Onalee McGraw (1977, 50¢)
Indexing The Inflationary Impact of Taxes: The Necessary Economic Reform
by Donald J. Senese (1978, $2.00)
The Panama Canal and Soviet Imperialism: War for the World Waterways
by Jeffrey St. John (1978, $2.00)

The Heritage Foundation

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

3

THREE DOLLARS WINTER 1978

Policy Review

Future issues of *Policy Review* will include articles by **Stephen Haseler** on Eurocommunism and the French elections; by **Ernest van den Haag** on the expansion of judicial power; by **Winston S. Churchill, II** on the defense of NATO; by **John O'Sullivan** on 'democracy without surprises' (guided democracy) and by **John Krizay** on Clientitis, Corpulence and Cloning in the State Department.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED